UNITED STATES DEPARTMENT OF THE TREASURY
1500 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20220

Dear Ladies and Gentlemen:

The company set forth on the signature page hereto (the "*Company*") intends to issue in a private placement the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Preferred Shares*") and a warrant to purchase the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Warrant*" and, together with the Preferred Shares, the "*Purchased Securities*") and the United States Department of the Treasury (the "*Investor*") intends to purchase from the Company the Purchased Securities.

The purpose of this letter agreement is to confirm the terms and conditions of the purchase by the Investor of the Purchased Securities. Except to the extent supplemented or superseded by the terms set forth herein or in the Schedules hereto, the provisions contained in the Securities Purchase Agreement – Standard Terms attached hereto as Exhibit A (the "*Securities Purchase Agreement*") are incorporated by reference herein. Terms that are defined in the Securities Purchase Agreement are used in this letter agreement as so defined. In the event of any inconsistency between this letter agreement and the Securities Purchase Agreement, the terms of this letter agreement shall govern.

Each of the Company and the Investor hereby confirms its agreement with the other party with respect to the issuance by the Company of the Purchased Securities and the purchase by the Investor of the Purchased Securities pursuant to this letter agreement and the Securities Purchase Agreement on the terms specified on Schedule A hereto.

This letter agreement (including the Schedules hereto), the Securities Purchase Agreement (including the Annexes thereto), the Disclosure Schedules and the Warrant constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. This letter agreement constitutes the "Letter Agreement" referred to in the Securities Purchase Agreement.

This letter agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement. Executed signature pages to this letter agreement may be delivered by facsimile and such facsimiles will be deemed as sufficient as if actual signature pages had been delivered.

* * *

UST Seq. No. 595

In witness whereof, this letter agreement has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date written below.

UNITED STATES DEPARTMENT OF THE TREASURY

By: ____________________
Name: Neel Kashkari
Title: Interim Assistant Secretary For Financial Stability

COMPANY: RELIANCE BANCSHARES, INC.

By: Jerry S. Von Rohr
Name: Jerry S. Von Rohr
Title: President and CEO

Date: February 13, 2009

EXHIBIT A
(Non-Exchange-Traded QFIs, excluding S Corps
and Mutual Organizations)

SECURITIES PURCHASE AGREEMENT

STANDARD TERMS

TABLE OF CONTENTS

Page

Article I

Purchase; Closing

1.1 Purchase 3
1.2 Closing 3
1.3 Interpretation 8

Article II

Representations and Warranties

2.1 Disclosure 9
2.2 Representations and Warranties of the Company 11

Article III

Covenants

3.1 Commercially Reasonable Efforts 29
3.2 Expenses 30
3.3 Sufficiency of Authorized Warrant Preferred Stock; Exchange Listing 30
3.4 Certain Notifications Until Closing 30
3.5 Access, Information and Confidentiality 31

Article IV

Additional Agreements

4.1 Purchase for Investment 34
4.2 Legends 35
4.3 Certain Transactions 39
4.4 Transfer of Purchased Securities and Warrant Shares; Restrictions on Exercise of the Warrant 39
4.5 Registration Rights 40
4.6 Depositary Shares 68
4.7 Restriction on Dividends and Repurchases 68
4.8 Executive Compensation 73
4.9 Related Party Transactions 74
4.10 Bank and Thrift Holding Company Status 74
4.11 Predominantly Financial 75

Article V

Miscellaneous

5.1	Termination	75
5.2	Survival of Representations and Warranties	77
5.3	Amendment	77
5.4	Waiver of Conditions	77
5.5	**Governing Law: Submission to Jurisdiction, Etc.**	78
5.6	Notices	78
5.7	Definitions	79
5.8	Assignment	80
5.9	Severability	81
5.10	No Third Party Beneficiaries	81

LIST OF ANNEXES

ANNEX A: FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK

ANNEX B: FORM OF CERTIFICATE OF DESIGNATIONS FOR WARRANT PREFERRED STOCK

ANNEX C: FORM OF WAIVER

ANNEX D: FORM OF OPINION

ANNEX E: FORM OF WARRANT

INDEX OF DEFINED TERMS

Term	Location of Definition
Affiliate	5.7(b)
Agreement	Recitals
Appropriate Federal Banking Agency	2.2(s)
Bank Holding Company	4.10
Bankruptcy Exceptions	2.2(d)
Benefit Plans	1.2(d)(iv)
Board of Directors	2.2(f)
Business Combination	5.8
business day	1.3
Capitalization Date	2.2(b)
Certificates of Designations	1.2(d)(iii)
Charter	1.2(d)(iii)
Closing	1.2(a)
Closing Date	1.2(a)
Code	2.2(n)
Common Stock	2.2(b)
Company	Recitals
Company Financial Statements	2.2(h)
Company Material Adverse Effect	2.1(b)
Company Reports	2.2(i)(i)
Company Subsidiary; Company Subsidiaries	2.2(e)(ii)
control; controlled by; under common control with	5.7(b)
Controlled Group	2.2(n)
CPP	Recitals
Disclosure Schedule	2.1(a)
EESA	1.2(d)(iv)
ERISA	2.2(n)
Exchange Act	4.4
Federal Reserve	4.10
GAAP	2.1(b)
Governmental Entities	1.2(c)
Holder	4.5(l)(i)
Holders' Counsel	4.5(l)(ii)
Indemnitee	4.5(h)(i)
Information	3.5(c)
Investor	Recitals
Junior Stock	4.7(f)
knowledge of the Company; Company's knowledge	5.7(c)
Letter Agreement	Recitals
officers	5.7(c)
Parity Stock	4.7(f)

Term	Location of Definition
Pending Underwritten Offering	4.5(m)
Permitted Repurchases	4.7(c)
Piggyback Registration	4.5(b)(iv)
Plan	2.2(n)
Preferred Shares	Recitals
Preferred Stock	Recitals
Previously Disclosed	2.1(c)
Proprietary Rights	2.2(u)
Purchase	Recitals
Purchase Price	1.1
Purchased Securities	Recitals
register; registered; registration	4.5(l)(iii)
Registrable Securities	4.5(l)(iv)
Registration Expenses	4.5(l)(v)
Regulatory Agreement	2.2(s)
Rule 144; Rule 144A; Rule 159A; Rule 405; Rule 415	4.5(l)(vi)
Savings and Loan Holding Company	4.10
Schedules	Recitals
SEC	2.2(k)
Securities Act	2.2(a)
Selling Expenses	4.5(l)(vii)
Senior Executive Officers	4.8
Shelf Registration Statement	4.5(b)(ii)
Signing Date	2.1(b)
Special Registration	4.5(j)
subsidiary	5.7(a)
Tax; Taxes	2.2(o)
Transfer	4.4
Warrant	Recitals
Warrant Preferred Stock	Recitals
Warrant Shares	2.2(d)

SECURITIES PURCHASE AGREEMENT – STANDARD TERMS

Recitals:

WHEREAS, the United States Department of the Treasury (the "*Investor*") may from time to time agree to purchase shares of preferred stock and warrants from eligible financial institutions which elect to participate in the Troubled Asset Relief Program Capital Purchase Program ("*CPP*");

WHEREAS, an eligible financial institution electing to participate in the CPP and issue securities to the Investor (referred to herein as the "*Company*") shall enter into a letter agreement (the "*Letter Agreement*") with the Investor which incorporates this Securities Purchase Agreement – Standard Terms;

WHEREAS, the Company agrees to expand the flow of credit to U.S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U.S. economy;

WHEREAS, the Company agrees to work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U.S. housing market;

WHEREAS, the Company intends to issue in a private placement the number of shares of the series of its Preferred Stock ("*Preferred Stock*") set forth on Schedule A to the Letter Agreement (the "*Preferred Shares*") and a warrant to purchase the number of shares of the series of its Preferred Stock ("*Warrant Preferred Stock*") set forth on Schedule A to the Letter Agreement (the "*Warrant*" and, together with the Preferred Shares, the "*Purchased Securities*") and the Investor intends to purchase (the "*Purchase*") from the Company the Purchased Securities; and

WHEREAS, the Purchase will be governed by this Securities Purchase Agreement – Standard Terms and the Letter Agreement, including the schedules thereto (the "*Schedules*"), specifying additional terms of the Purchase. This Securities Purchase Agreement – Standard Terms (including the Annexes hereto) and the Letter Agreement (including the Schedules thereto) are together referred to as this "Agreement". All references in this Securities Purchase Agreement – Standard Terms to "Schedules" are to the Schedules attached to the Letter Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

Article I
Purchase; Closing

1.1 Purchase. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to sell to the Investor, and the Investor agrees to purchase from the Company, at the Closing (as hereinafter defined), the Purchased Securities for the price set forth on Schedule A (the "*Purchase Price*").

1.2 Closing.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the Purchase (the "*Closing*") will take place at the location specified in Schedule A, at the time and on the date set forth in Schedule A or as soon as practicable thereafter, or at such other place, time and date as shall be agreed between the Company and the Investor. The time and date on which the Closing occurs is referred to in this Agreement as the "*Closing Date*".

(b) Subject to the fulfillment or waiver of the conditions to the Closing in this Section 1.2, at the Closing the Company will deliver the Preferred Shares and the Warrant, in each case as evidenced by one or more certificates dated the Closing Date and bearing appropriate legends as hereinafter provided for, in exchange for payment in full of the Purchase Price by wire transfer of immediately available United States funds to a bank account designated by the Company on Schedule A.

(c) The respective obligations of each of the Investor and the Company to consummate the Purchase are subject to the fulfillment (or waiver by the Investor and the Company, as applicable) prior to the Closing of the conditions that (i) any approvals or authorizations of all United States and other governmental, regulatory or judicial authorities (collectively, "*Governmental Entities*") required for the consummation of the Purchase shall have been obtained or made in form and substance reasonably satisfactory to each party and shall be in full force and effect and all waiting periods required by United States and other applicable law, if any, shall have expired and (ii) no provision of any applicable United States or other law and no judgment, injunction, order or decree of any Governmental Entity shall prohibit the purchase and sale of the Purchased Securities as contemplated by this Agreement.

(d) The obligation of the Investor to consummate the Purchase is also subject to the fulfillment (or waiver by the Investor) at or prior to the Closing of each of the following conditions:

(i) (A) the representations and warranties of the Company set forth in (x) Section 2.2(g) of this Agreement shall be true and correct in all respects as though made on and as of the Closing Date, (y) Sections 2.2(a) through (f) shall be true and correct in all material respects as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct in all material respects as of such other date) and (z) Sections 2.2(h) through (v) (disregarding all qualifications or limitations set forth in such representations and warranties as to "materiality", "Company Material Adverse Effect" and words of similar import) shall be true and correct as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct as of such other date), except to the extent that the failure of such representations and warranties referred to in this Section 1.2(d)(i)(A)(z) to be so true and correct, individually or in the aggregate, does not have and would not reasonably be expected to have a Company Material Adverse Effect and (B) the Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing;

(ii) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the conditions set forth in Section 1.2(d)(i) have been satisfied;

(iii) the Company shall have duly adopted and filed with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity the amendments to its certificate or articles of incorporation, articles of association, or similar organizational document ("*Charter*") in substantially the forms attached hereto as Annex A and Annex B (the "*Certificates of Designations*") and such filing shall have been accepted;

(iv) (A) the Company shall have effected such changes to its compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to its Senior Executive Officers (and to the extent necessary for such changes to be legally enforceable, each of its Senior Executive Officers shall have duly consented in writing to such changes), as may be necessary, during the period that the Investor owns any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, in order to comply with Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("*EESA*") as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and (B) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the condition set forth in Section 1.2(d)(iv)(A) has been satisfied;

(v) each of the Company's Senior Executive Officers shall have delivered to the Investor a written waiver in the form attached hereto as Annex C releasing the Investor from any claims that such Senior Executive Officers may otherwise have as a result of the issuance, on or prior to the Closing Date, of any regulations which require the modification of, and the agreement of the Company hereunder to modify, the terms of any Benefit Plans with respect to its Senior Executive Officers to eliminate any provisions of such Benefit Plans that would not be in compliance with the requirements of Section 111(b) of the EESA as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date;

(vi) the Company shall have delivered to the Investor a written opinion from counsel to the Company (which may be internal counsel), addressed to the Investor and dated as of the Closing Date, in substantially the form attached hereto as Annex D;

(vii) the Company shall have delivered certificates in proper form or, with the prior consent of the Investor, evidence of shares in book-entry form, evidencing the Preferred Shares to Investor or its designee(s); and

(viii) the Company shall have duly executed the Warrant in substantially the form attached hereto as Annex E and delivered such executed Warrant to the Investor or its designee(s).

1.3 Interpretation. When a reference is made in this Agreement to "Recitals," "Articles," "Sections," or "Annexes" such reference shall be to a Recital, Article or Section of, or Annex to, this Securities Purchase Agreement – Standard Terms, and a reference to "Schedules" shall be to a Schedule to the Letter Agreement, in each case, unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to "herein", "hereof", "hereunder" and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to "$" or "dollars" mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to a "*business day*" shall mean any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Article II
Representations and Warranties

2.1 Disclosure.

(a) On or prior to the Signing Date, the Company delivered to the Investor a schedule ("*Disclosure Schedule*") setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 2.2.

(b) "*Company Material Adverse Effect*" means a material adverse effect on (i) the business, results of operation or financial condition of the Company and its consolidated subsidiaries taken as a whole; *provided, however*, that Company Material Adverse Effect shall not be deemed to include the effects of (A) changes after the date of the Letter Agreement (the "*Signing Date*") in general business, economic or market conditions (including changes generally in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities or credit markets), or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, in each case generally affecting the industries in which the Company and its subsidiaries operate, (B) changes or proposed changes after the Signing Date in generally accepted accounting principles in the United States ("*GAAP*") or regulatory accounting requirements, or authoritative interpretations thereof, or (C) changes or proposed changes after the Signing Date in securities, banking and other laws of general applicability or related policies or interpretations of Governmental Entities (in the case of each of these clauses (A), (B) and (C), other than changes or occurrences to the extent that such changes or occurrences have or would reasonably be expected to have a materially disproportionate adverse effect on the Company and its consolidated subsidiaries taken as a whole relative to comparable U.S. banking or financial services organizations); or (ii) the ability of the Company to consummate the Purchase and other transactions contemplated by this Agreement and the Warrant and perform its obligations hereunder or thereunder on a timely basis.

(c) "*Previously Disclosed*" means information set forth on the Disclosure Schedule, provided, however, that disclosure in any section of such Disclosure Schedule shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement.

2.2 Representations and Warranties of the Company. Except as Previously Disclosed, the Company represents and warrants to the Investor that as of the Signing Date and as of the Closing Date (or such other date specified herein):

(a) Organization, Authority and Significant Subsidiaries. The Company has been duly incorporated and is validly existing and in good standing under the laws of its jurisdiction of organization, with the necessary power and authority to own its properties and conduct its business in all material respects as currently conducted, and except as has not, individually or in the aggregate, had and would not reasonably be expected to have a Company Material Adverse Effect, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification; each subsidiary of the Company that would be considered a "significant subsidiary" within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act of 1933 (the "*Securities Act*"), has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization. The Charter and bylaws of the Company, copies of which have been provided to the Investor prior to the Signing Date, are true, complete and correct copies of such documents as in full force and effect as of the Signing Date.

(b) Capitalization. The authorized capital stock of the Company, and the outstanding capital stock of the Company (including securities convertible into, or exercisable or exchangeable for, capital stock of the Company) as of the most recent fiscal month-end preceding the Signing Date (the "*Capitalization Date*") is set forth on Schedule B. The outstanding shares of capital stock of the Company have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). As of the Signing Date, the Company does not have outstanding any securities or other obligations providing the holder the right to acquire its Common Stock ("*Common Stock*") that is not reserved for issuance as specified on Schedule B, and the Company has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Company has not issued any shares of Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule B and (ii) shares disclosed on Schedule B. Each holder of 5% or more of any class of capital stock of the Company and such holder's primary address are set forth on Schedule B.

(c) Preferred Shares. The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to this Agreement, such Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(d) The Warrant and Warrant Shares. The Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity ("*Bankruptcy Exceptions*"). The shares of Warrant Preferred Stock issuable upon exercise of the Warrant (the "*Warrant Shares*") have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(e) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the Warrant and to carry out its obligations hereunder and thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company. This Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Bankruptcy Exceptions.

(ii) The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any subsidiary of the Company (each a "*Company Subsidiary*" and, collectively, the "*Company Subsidiaries*") under any of the terms, conditions or provisions of (i) its organizational documents or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any Company Subsidiary is a party or by which it or any Company Subsidiary may be bound, or to which the Company or any Company Subsidiary or any of the properties or assets of the Company or any Company Subsidiary may be subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any Company Subsidiary or any of their respective properties or assets except, in the case of clauses (A)(ii) and (B), for those occurrences that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(iii) Other than the filing of the Certificates of Designations with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity, such filings and approvals as are required to be made or obtained under any state "blue sky" laws and such as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by the Company in connection with the consummation by the Company of the Purchase except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(f) Anti-takeover Provisions and Rights Plan. The Board of Directors of the Company (the "*Board of Directors*") has taken all necessary action to ensure that the transactions contemplated by this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrant in accordance with its terms, will be exempt from any anti-takeover or similar provisions of the Company's Charter and bylaws, and any other provisions of any applicable "moratorium", "control share", "fair price", "interested stockholder" or other anti-takeover laws and regulations of any jurisdiction.

(g) No Company Material Adverse Effect. Since the last day of the last completed fiscal period for which financial statements are included in the Company Financial Statements (as defined below), no fact, circumstance, event, change, occurrence, condition or development has occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect.

(h) Company Financial Statements. The Company has Previously Disclosed each of the consolidated financial statements of the Company and its consolidated subsidiaries for each of the last three completed fiscal years of the Company (which shall be audited to the extent audited financial statements are available prior to the Signing Date) and each completed quarterly period since the last completed fiscal year (collectively the "*Company Financial Statements*"). The Company Financial Statements present fairly in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated therein and the consolidated results of their operations for the periods specified therein; and except as stated therein, such financial statements (A) were prepared in conformity with GAAP applied on a consistent basis (except as may be noted therein) and (B) have been prepared from, and are in accordance with, the books and records of the Company and the Company Subsidiaries.

(i) Reports.

(i) Since December 31, 2006, the Company and each Company Subsidiary has filed all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Entity (the foregoing, collectively, the "*Company Reports*") and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Entities.

(ii) The records, systems, controls, data and information of the Company and the Company Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of the Company or the Company Subsidiaries or their accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on the system of internal accounting controls described below in this Section 2.2(i)(ii). The Company (A) has implemented and maintains adequate disclosure controls and procedures to ensure that material information relating to the Company, including the consolidated Company Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the Signing Date, to the Company's outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(j) No Undisclosed Liabilities. Neither the Company nor any of the Company Subsidiaries has any liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) which are not properly reflected or reserved against in the Company Financial Statements to the extent required to be so reflected or reserved against in accordance with GAAP, except for (A) liabilities that have arisen since the last fiscal year end in the ordinary and usual course of business and consistent with past practice and (B) liabilities that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(k) Offering of Securities. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Purchased Securities under the Securities Act, and the rules and regulations of the Securities and Exchange Commission (the "*SEC*") promulgated thereunder), which might subject the offering, issuance or sale of any of the Purchased Securities to Investor pursuant to this Agreement to the registration requirements of the Securities Act.

(l) Litigation and Other Proceedings. Except (i) as set forth on Schedule C or (ii) as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, there is no (A) pending or, to the knowledge of the Company, threatened, claim, action, suit, investigation or proceeding, against the Company or any Company Subsidiary or to which any of their assets are subject nor is the Company or any Company Subsidiary subject to any order, judgment or decree or (B) unresolved violation, criticism or exception by any Governmental Entity with respect to any report or relating to any examinations or inspections of the Company or any Company Subsidiaries.

(m) Compliance with Laws. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have all permits, licenses, franchises, authorizations, orders and approvals of, and have made all filings, applications and registrations with, Governmental Entities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of the Company or such Company Subsidiary. Except as set forth on Schedule D, the Company and the Company Subsidiaries have complied in all respects and are not in default or violation of, and none of them is, to the knowledge of the Company, under investigation with respect to or, to the knowledge of the Company, have been threatened to be charged with or given notice of any violation of, any applicable domestic (federal, state or local) or foreign law, statute, ordinance, license, rule, regulation, policy or guideline, order, demand, writ, injunction, decree or judgment of any Governmental Entity, other than such noncompliance, defaults or violations that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Except for statutory or regulatory restrictions of general application or as set forth on Schedule D, no Governmental Entity has placed any restriction on the business or properties of the Company or any Company Subsidiary that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(n) Employee Benefit Matters. Except as would not reasonably be expected to have, either individually or in the aggregate, a Company Material Adverse Effect: (A) each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")) providing benefits to any current or former employee, officer or director of the Company or any member of its "*Controlled Group*" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the "*Code*")) that is sponsored, maintained or contributed to by the Company or any member of its Controlled Group and for which the Company or any member of its Controlled Group would have any liability, whether actual or contingent (each, a "*Plan*") has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations, including ERISA and the Code; (B) with respect to each Plan subject to Title IV of ERISA (including, for purposes of this clause (B), any plan subject to Title IV of ERISA that the Company or any member of its Controlled Group previously maintained or contributed to in the six years prior to the Signing Date), (1) no "reportable event" (within the meaning of Section 4043(c) of ERISA), other than a reportable event for which the notice period referred to in Section 4043(c) of ERISA has been waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (2) no "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (3) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on the assumptions used to fund such Plan) and (4) neither the Company nor any member of its Controlled Group has incurred in the six years prior to the Signing Date, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC in the ordinary course and without default) in respect of a Plan (including any Plan that is a "multiemployer plan", within the meaning of Section 4001(c)(3) of ERISA); and (C) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service with respect to its qualified status that has not been revoked, or such a determination letter has been timely applied for but not received by the Signing Date, and nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss, revocation or denial of such qualified status or favorable determination letter.

(o) Taxes. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and the Company Subsidiaries have filed all federal, state, local and foreign income and franchise Tax returns required to be filed through the Signing Date, subject to permitted extensions, and have paid all Taxes due thereon, and (ii) no Tax deficiency has been determined adversely to the Company or any of the Company Subsidiaries, nor does the Company have any knowledge of any Tax deficiencies. "*Tax*" or "*Taxes*" means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Governmental Entity.

(p) Properties and Leases. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances, claims and defects that would affect the value thereof or interfere with the use made or to be made thereof by them. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries hold all leased real or personal property under valid and enforceable leases with no exceptions that would interfere with the use made or to be made thereof by them.

(q) Environmental Liability. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(i) there is no legal, administrative, or other proceeding, claim or action of any nature seeking to impose, or that would reasonably be expected to result in the imposition of, on the Company or any Company Subsidiary, any liability relating to the release of hazardous substances as defined under any local, state or federal environmental statute, regulation or ordinance, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, pending or, to the Company's knowledge, threatened against the Company or any Company Subsidiary;

(ii) to the Company's knowledge, there is no reasonable basis for any such proceeding, claim or action; and

(iii) neither the Company nor any Company Subsidiary is subject to any agreement, order, judgment or decree by or with any court, Governmental Entity or third party imposing any such environmental liability.

(r) Risk Management Instruments. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for the Company's own account, or for the account of one or more of the Company Subsidiaries or its or their customers, were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of the Company or one of the Company Subsidiaries, enforceable in accordance with its terms, except as may be limited by the Bankruptcy Exceptions. Neither the Company or the Company Subsidiaries, nor, to the knowledge of the Company, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement other than such breaches that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(s) Agreements with Regulatory Agencies. Except as set forth on Schedule E, neither the Company nor any Company Subsidiary is subject to any material cease-and-desist or other similar order or enforcement action issued by, or is a party to any material written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any capital directive by, or since December 31, 2006, has adopted any board resolutions at the request of, any Governmental Entity (other than the Appropriate Federal Banking Agencies with jurisdiction over the Company and the Company Subsidiaries) that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies or procedures, its internal controls, its management or its operations or business (each item in this sentence, a "*Regulatory Agreement*"), nor has the Company or any Company Subsidiary been advised since December 31, 2006 by any such Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Regulatory Agreement. The Company and each Company Subsidiary are in compliance in all material respects with each Regulatory Agreement to which it is party or subject, and neither the Company nor any Company Subsidiary has received any notice from any Governmental Entity indicating that either the Company or any Company Subsidiary is not in compliance in all material respects with any such Regulatory Agreement. "*Appropriate Federal Banking Agency*" means the "appropriate Federal banking agency" with respect to the Company or such Company Subsidiaries, as applicable, as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)).

(t) Insurance. The Company and the Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of the Company reasonably has determined to be prudent and consistent with industry practice. The Company and the Company Subsidiaries are in material compliance with their insurance policies and are not in default under any of the material terms thereof, each such policy is outstanding and in full force and effect, all premiums and other payments due under any material policy have been paid, and all claims thereunder have been filed in due and timely fashion, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(u) Intellectual Property. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and each Company Subsidiary owns or otherwise has the right to use, all intellectual property rights, including all trademarks, trade dress, trade names, service marks, domain names, patents, inventions, trade secrets, know-how, works of authorship and copyrights therein, that are used in the conduct of their existing businesses and all rights relating to the plans, design and specifications of any of its branch facilities ("*Proprietary Rights*") free and clear of all liens and any claims of ownership by current or former employees, contractors, designers or others and (ii) neither the Company nor any of the Company Subsidiaries is materially infringing, diluting, misappropriating or violating, nor has the Company or any or the Company Subsidiaries received any written (or, to the knowledge of the Company, oral) communications alleging that any of them has materially infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by any other person. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, to the Company's knowledge, no other person is infringing, diluting, misappropriating or violating, nor has the Company or any or the Company Subsidiaries sent any written communications since January 1, 2006 alleging that any person has infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by the Company and the Company Subsidiaries.

(v) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the Warrant or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of the Company or any Company Subsidiary for which the Investor could have any liability.

Article III
Covenants

3.1 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Purchase as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

3.2 Expenses. Unless otherwise provided in this Agreement or the Warrant, each of the parties hereto will bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under this Agreement and the Warrant, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.3 Sufficiency of Authorized Warrant Preferred Stock; Exchange Listing.

(a) During the period from the Closing Date until the date on which the Warrant has been fully exercised, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued Warrant Shares to effectuate such exercise.

(b) If the Company lists its Common Stock on any national securities exchange, the Company shall, if requested by the Investor, promptly use its reasonable best efforts to cause the Preferred Shares and Warrant Shares to be approved for listing on a national securities exchange as promptly as practicable following such request.

3.4 Certain Notifications Until Closing. From the Signing Date until the Closing, the Company shall promptly notify the Investor of (i) any fact, event or circumstance of which it is aware and which would reasonably be expected to cause any representation or warranty of the Company contained in this Agreement to be untrue or inaccurate in any material respect or to cause any covenant or agreement of the Company contained in this Agreement not to be complied with or satisfied in any material respect and (ii) except as Previously Disclosed, any fact, circumstance, event, change, occurrence, condition or development of which the Company is aware and which, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect; *provided*, *however*, that delivery of any notice pursuant to this Section 3.4 shall not limit or affect any rights of or remedies available to the Investor; *provided, further*, that a failure to comply with this Section 3.4 shall not constitute a breach of this Agreement or the failure of any condition set forth in Section 1.2 to be satisfied unless the underlying Company Material Adverse Effect or material breach would independently result in the failure of a condition set forth in Section 1.2 to be satisfied.

3.5 Access, Information and Confidentiality.

(a) From the Signing Date until the date when the Investor holds an amount of Preferred Shares having an aggregate liquidation value of less than 10% of the Purchase Price, the Company will permit the Investor and its agents, consultants, contractors and advisors (x) acting through the Appropriate Federal Banking Agency, or otherwise to the extent necessary to evaluate, manage, or transfer its investment in the Company, to examine the corporate books and make copies thereof and to discuss the affairs, finances and accounts of the Company and the Company Subsidiaries with the principal officers of the Company, all upon reasonable notice and at such reasonable times and as often as the Investor may reasonably request and (y) to review any information material to the Investor's investment in the Company provided by the Company to its Appropriate Federal Banking Agency. Any investigation pursuant to this Section 3.5 shall be conducted during normal business hours and in such manner as not to interfere unreasonably with the conduct of the business of the Company, and nothing herein shall require the Company or any Company Subsidiary to disclose any information to the Investor to the extent (i) prohibited by applicable law or regulation, or (ii) that such disclosure would reasonably be expected to cause a violation of any agreement to which the Company or any Company Subsidiary is a party or would cause a risk of a loss of privilege to the Company or any Company Subsidiary (*provided* that the Company shall use commercially reasonable efforts to make appropriate substitute disclosure arrangements under circumstances where the restrictions in this clause (ii) apply).

(b) From the Signing Date until the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole, the Company will deliver, or will cause to be delivered, to the Investor:

(i) as soon as available after the end of each fiscal year of the Company, and in any event within 90 days thereafter, a consolidated balance sheet of the Company as of the end of such fiscal year, and consolidated statements of income, retained earnings and cash flows of the Company for such year, in each case prepared in accordance with GAAP and setting forth in each case in comparative form the figures for the previous fiscal year of the Company, and which shall be audited to the extent audited financial statements are available; and

(ii) as soon as available after the end of the first, second and third quarterly periods in each fiscal year of the Company, a copy of any quarterly reports provided to other stockholders of the Company or Company management.

(c) The Investor will use reasonable best efforts to hold, and will use reasonable best efforts to cause its agents, consultants, contractors and advisors to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information (collectively, "*Information*") concerning the Company furnished or made available to it by the Company or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) previously known by such party on a non-confidential basis, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent the Investor from disclosing any Information to the extent required by applicable laws or regulations or by any subpoena or similar legal process.

(d) The Investor's information rights pursuant to Section 3.5(b) may be assigned by the Investor to a transferee or assignee of the Purchased Securities or the Warrant Shares or with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to 2% of the initial aggregate liquidation preference of the Preferred Shares.

Article IV
Additional Agreements

4.1 Purchase for Investment. The Investor acknowledges that the Purchased Securities and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. The Investor (a) is acquiring the Purchased Securities pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws, (b) will not sell or otherwise dispose of any of the Purchased Securities or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws, and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Purchase and of making an informed investment decision.

4.2 Legends.

(a) The Investor agrees that all certificates or other instruments representing the Warrant will bear a legend substantially to the following effect:

"THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD

OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID."

(b) In addition, the Investor agrees that all certificates or other instruments representing the Preferred Shares and the Warrant Shares will bear a legend substantially to the following effect:

"THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. EACH PURCHASER OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT IS NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. ANY TRANSFEREE OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES THAT IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THE SECURITIES REPRESENTED BY THIS INSTRUMENT EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT WHICH IS THEN EFFECTIVE UNDER THE SECURITIES ACT, (B) FOR SO LONG AS THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER

TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO THE ISSUER OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID."

(c) In the event that any Purchased Securities or Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue new certificates or other instruments representing such Purchased Securities or Warrant Shares, which shall not contain the applicable legends in Sections 4.2(a) and (b) above; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments.

4.3 Certain Transactions. The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement to be performed and observed by the Company.

4.4 Transfer of Purchased Securities and Warrant Shares; Restrictions on Exercise of the Warrant. Subject to compliance with applicable securities laws, the Investor shall be permitted to transfer, sell, assign or otherwise dispose of ("*Transfer*") all or a portion of the Purchased Securities or Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by the Investor to facilitate the Transfer of the Purchased Securities and the Warrant Shares; *provided* that the Investor shall not Transfer any Purchased Securities or Warrant Shares if such transfer would require the Company to be subject to the periodic reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "*Exchange Act*"). In furtherance of the foregoing, the Company shall provide reasonable cooperation to facilitate any Transfers of the Purchased Securities or Warrant Shares, including, as is reasonable under the circumstances, by furnishing such information concerning the Company and its business as a proposed transferee may reasonably request (including such information as is required by Section 4.5(k)) and making management of the Company reasonably available to respond to questions of a proposed transferee in accordance with customary practice, subject in all cases to the proposed transferee agreeing to a customary confidentiality agreement.

4.5 Registration Rights.

(a) Unless and until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall have no obligation to comply with the provisions of this Section 4.5 (other than Section 4.5(b)(iv)-(vi)); *provided* that the Company covenants and agrees that it shall comply with this Section 4.5 as soon as practicable after the date that it becomes subject to such reporting requirements.

(b) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that as promptly as practicable after the date that the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act (and in any event no later than 30 days thereafter), the Company shall prepare and file with the SEC a Shelf Registration Statement covering all Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover the Registrable Securities), and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). Notwithstanding the foregoing, if the Company is not eligible to file a registration statement on Form S-3, then the Company shall not be obligated to file a Shelf Registration Statement unless and until requested to do so in writing by the Investor.

(ii) Any registration pursuant to Section 4.5(b)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a "*Shelf Registration Statement*"). If the Investor or any other Holder intends to distribute any Registrable Securities by means of an underwritten offering it shall promptly so advise the Company and the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 4.5(d); *provided* that the Company shall not be required to facilitate an underwritten offering of Registrable Securities unless the expected gross proceeds from such offering exceed (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than $2 billion and (ii) $200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than $2 billion. The lead underwriters in any such distribution shall be selected by the Holders of a majority of the Registrable Securities to be distributed; *provided* that to the extent appropriate and permitted under applicable law, such Holders shall consider the qualifications of any broker-dealer Affiliate of the Company in selecting the lead underwriters in any such distribution.

(iii) The Company shall not be required to effect a registration (including a resale of Registrable Securities from an effective Shelf Registration Statement) or an underwritten offering pursuant to Section 4.5(b): (A) with respect to securities that are not Registrable Securities; or (B) if the Company has notified the Investor and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company or its securityholders for such registration or underwritten offering to be effected at such time, in which event the Company shall have the right to defer such registration for a period of not more than 45 days after receipt of the request of the Investor or any other Holder; *provided* that such right to delay a registration or underwritten offering shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period.

(iv) If during any period when an effective Shelf Registration Statement is not available, the Company proposes to register any of its equity securities, other than a registration pursuant to Section 4.5(b)(i) or a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to the Investor and all other Holders of its intention to effect such a registration (but in no event less than ten days prior to the anticipated filing date) and will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten business days after the date of the Company's notice (a "*Piggyback Registration*"). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, on or before the fifth business day prior to the planned effective date of such Piggyback Registration. The Company may terminate or withdraw any registration under this Section 4.5(b)(iv) prior to the effectiveness of such registration, whether or not Investor or any other Holders have elected to include Registrable Securities in such registration.

(v) If the registration referred to in Section 4.5(b)(iv) is proposed to be underwritten, the Company will so advise Investor and all other Holders as a part of the written notice given pursuant to Section 4.5(b)(iv). In such event, the right of Investor and all other Holders to registration pursuant to Section 4.5(b) will be conditioned upon such persons' participation in such underwriting and the inclusion of such person's Registrable Securities in the underwriting if such securities are of the same class of securities as the securities to be offered in the underwritten offering, and each such person will (together with the Company and the other persons distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company; *provided* that the Investor (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration. If any participating person disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and the Investor (if the Investor is participating in the underwriting).

(vi) If either (x) the Company grants "piggyback" registration rights to one or more third parties to include their securities in an underwritten offering under the Shelf Registration Statement pursuant to Section 4.5(b)(ii) or (y) a Piggyback Registration under Section 4.5(b)(iv) relates to an underwritten offering on behalf of the Company, and in either case the managing underwriters advise the Company that in their reasonable opinion the number of securities requested to be included in such offering exceeds the number which can be sold without adversely affecting the marketability of such offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (A) first, in the case of a Piggyback Registration under Section 4.5(b)(iv), the securities the Company proposes to sell, (B) then the Registrable Securities of the Investor and all other Holders who have requested inclusion of Registrable Securities pursuant to Section 4.5(b)(ii) or Section 4.5(b)(iv), as applicable, *pro rata* on the basis of the aggregate number of such securities or shares owned by each such person and (C) lastly, any other securities of the Company that have been requested to be so included, subject to the terms of this Agreement; *provided, however,* that if the Company has, prior to the Signing Date, entered into an agreement with respect to its securities that is inconsistent with the order of priority contemplated hereby then it shall apply the order of priority in such conflicting agreement to the extent that it would otherwise result in a breach under such agreement.

(c) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered *pro rata* on the basis of the aggregate offering or sale price of the securities so registered.

(d) Obligations of the Company. Whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC a prospectus supplement or post-effective amendment with respect to a proposed offering of Registrable Securities pursuant to an effective registration statement, subject to Section 4.5(d), keep such registration statement effective and keep such prospectus supplement current until the securities described therein are no longer Registrable Securities.

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

(A) when any registration statement filed pursuant to Section 4.5(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the applicable Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the registration statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 4.5(d)(x) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 4.5(d)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 4.5(d)(v) or 4.5(d)(vi)(E), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 4.5(d)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an underwritten offering is requested pursuant to Section 4.5(b)(ii), enter into an underwriting agreement in customary form, scope and substance and take all such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith in any underwritten offering (including making members of management and executives of the Company available to participate in "road shows", similar sales events and other marketing activities), (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters with opinions of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in such opinions requested in underwritten offerings, (C) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters, (D) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in underwritten offerings (provided that the Investor shall not be obligated to provide any indemnity), and (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(xi) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), attorney or accountant in connection with such Shelf Registration Statement.

(xii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such

Registrable Securities to be listed on such securities exchange as the Investor may designate.

(xiii) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith or managing underwriter(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xiv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(e) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, the Investor and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until the Investor and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until the Investor and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, the Investor and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the Investor and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(f) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder (and its Affiliates, partners, members and former members) shall not be available unless such securities are Registrable Securities.

(g) Furnishing Information.

(i) Neither the Investor nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.5(d) that Investor and/or the selling Holders and the underwriters, if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

(h) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, that controls a Holder within the meaning of the Securities Act (each, an "*Indemnitee*"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee "by means of" (as defined in Rule 159A) a "free writing prospectus" (as defined in Rule 405) that was not authorized in writing by the Company.

(ii) If the indemnification provided for in Section 4.5(h)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; the Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5(h)(ii) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 4.5(h)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not guilty of such fraudulent misrepresentation.

(i) Assignment of Registration Rights. The rights of the Investor to registration of Registrable Securities pursuant to Section 4.5(b) may be assigned by the Investor to a transferee or assignee of Registrable Securities with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than $2 billion and (ii) $200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than $2 billion; *provided*, *however*, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned.

(j) Clear Market. With respect to any underwritten offering of Registrable Securities by the Investor or other Holders pursuant to this Section 4.5, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering any preferred stock of the Company or any securities convertible into or exchangeable or exercisable for preferred stock of the Company, during the period not to exceed ten days prior and 60 days following the effective date of such offering or such longer period up to 90 days as may be requested by the managing underwriter for such underwritten offering. The Company also agrees to cause such of its directors and senior executive officers to execute and deliver customary lock-up agreements in such form and for such time period up to 90 days as may be requested by the managing underwriter. "*Special Registration*" means the registration of (A) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or Company Subsidiaries or in connection with dividend reinvestment plans.

(k) Rule 144; Rule 144A. With a view to making available to the Investor and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the Signing Date;

(ii) (A) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act, and (B) if at any time the Company is not required to file such reports, make available, upon the request of any Holder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(iii) so long as the Investor or a Holder owns any Registrable Securities, furnish to the Investor or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Investor or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(l) As used in this Section 4.5, the following terms shall have the following respective meanings:

(i) "*Holder*" means the Investor and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 4.5(h) hereof.

(ii) "*Holders' Counsel*" means one counsel for the selling Holders chosen by Holders holding a majority interest in the Registrable Securities being registered.

(iii) "*Register*," "*registered*," and "*registration*" shall refer to a registration effected by preparing and (A) filing a registration statement or amendment thereto in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or amendment thereto or (B) filing a prospectus and/or prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iv) "*Registrable Securities*" means (A) all Preferred Shares, (B) the Warrant (subject to Section 4.5(q)) and (C) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clauses (A) or (B) by way of conversion, exercise or exchange thereof, including the Warrant Shares, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization, *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act, (2) except as provided below in Section 4.5(p), they may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (3) they shall have ceased to be outstanding or (4) they have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of the securities. No Registrable Securities may be registered under more than one registration statement at any one time.

(v) "*Registration Expenses*" mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 4.5, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any "road show", the reasonable fees and disbursements of Holders' Counsel, and expenses of the Company's independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(vi) "*Rule 144*", "*Rule 144A*", "*Rule 159A*", "*Rule 405*" and "*Rule 415*" mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vii) "*Selling Expenses*" mean all discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of Holders' Counsel included in Registration Expenses).

(m) At any time, any holder of Securities (including any Holder) may elect to forfeit its rights set forth in this Section 4.5 from that date forward; *provided*, that a Holder forfeiting such rights shall nonetheless be entitled to participate under Section 4.5(b)(iv) – (vi) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided, further*, that no such forfeiture shall terminate a Holder's rights or obligations under Section 4.5(g) with respect to any prior registration or Pending Underwritten Offering. "*Pending Underwritten Offering*" means, with respect to any Holder forfeiting its rights pursuant to this Section 4.5(m), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its Registrable Securities either pursuant to Section 4.5(b)(ii) or 4.5(b)(iv) prior to the date of such Holder's forfeiture.

(n) <u>Specific Performance</u>. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 4.5 and that the Investor and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that the Investor and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and enforceable under applicable law shall be entitled to compel specific performance of the obligations of the Company under this Section 4.5 in accordance with the terms and conditions of this Section 4.5.

(o) No Inconsistent Agreements. The Company shall not, on or after the Signing Date, enter into any agreement with respect to its securities that may impair the rights granted to the Investor and the Holders under this Section 4.5 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to the Investor and the Holders under this Section 4.5. In the event the Company has, prior to the Signing Date, entered into any agreement with respect to its securities that is inconsistent with the rights granted to the Investor and the Holders under this Section 4.5 (including agreements that are inconsistent with the order of priority contemplated by Section 4.5(b)(vi)) or that may otherwise conflict with the provisions hereof, the Company shall use its reasonable best efforts to amend such agreements to ensure they are consistent with the provisions of this Section 4.5.

(p) Certain Offerings by the Investor. In the case of any securities held by the Investor that cease to be Registrable Securities solely by reason of clause (2) in the definition of "Registrable Securities," the provisions of Sections 4.5(b)(ii), clauses (iv), (ix) and (x)-(xii) of Section 4.5(d), Section 4.5(h) and Section 4.5(j) shall continue to apply until such securities otherwise cease to be Registrable Securities. In any such case, an "underwritten" offering or other disposition shall include any distribution of such securities on behalf of the Investor by one or more broker-dealers, an "underwriting agreement" shall include any purchase agreement entered into by such broker-dealers, and any "registration statement" or "prospectus" shall include any offering document approved by the Company and used in connection with such distribution.

(q) Registered Sales of the Warrant. The Holders agree to sell the Warrant or any portion thereof under the Shelf Registration Statement only beginning 30 days after notifying the Company of any such sale, during which 30-day period the Investor and all Holders of the Warrant shall take reasonable steps to agree to revisions to the Warrant to permit a public distribution of the Warrant, including entering into a warrant agreement and appointing a warrant agent.

4.6 Depositary Shares. Upon request by the Investor at any time following the Closing Date, the Company shall promptly enter into a depositary arrangement, pursuant to customary agreements reasonably satisfactory to the Investor and with a depositary reasonably acceptable to the Investor, pursuant to which the Preferred Shares or the Warrant Shares may be deposited and depositary shares, each representing a fraction of a Preferred Share or Warrant Share, as applicable, as specified by the Investor, may be issued. From and after the execution of any such depositary arrangement, and the deposit of any Preferred Shares or Warrant Shares, as applicable, pursuant thereto, the depositary shares issued pursuant thereto shall be deemed "Preferred Shares", "Warrant Shares" and, as applicable, "Registrable Securities" for purposes of this Agreement.

4.7 Restriction on Dividends and Repurchases.

(a) Prior to the earlier of (x) the third anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary (other than (i) regular quarterly cash dividends of not more than the amount of the last quarterly cash dividend per share declared or, if lower, announced to its holders of Common Stock an intention to declare, on the Common Stock prior to November 17, 2008, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (ii) dividends payable solely in shares of Common Stock, (iii) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (iv) dividends or distributions by any wholly-owned Company Subsidiary or (v) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008).

(b) During the period beginning on the third anniversary of the Closing Date and ending on the earlier of (i) the tenth anniversary of the Closing Date and (ii) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (A) pay any per share dividend or distribution on capital stock or other equity securities of any kind of the Company at a per annum rate that is in excess of 103% of the aggregate per share dividends and distributions for the immediately prior fiscal year (other than regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares); *provided* that no increase in the aggregate amount of dividends or distributions on Common Stock shall be permitted as a result of any dividends or distributions paid in shares of Common Stock, any stock split or any similar transaction or (B) pay aggregate dividends or distributions on capital stock or other equity securities of any kind of any Company Subsidiary that is in excess of 103% of the aggregate dividends and distributions paid for the immediately prior fiscal year (other than in the case of this clause (B), (1) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (2) dividends or distributions by any wholly-owned Company Subsidiary, (3) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008) or (4) dividends or distributions on newly issued shares of capital stock for cash or other property.

(c) Prior to the earlier of (x) the tenth anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other than (i) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (ii) in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice, (iii) the acquisition by the Company or any of the Company Subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Company or any other Company Subsidiary), including as trustees or custodians, (iv) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock or trust preferred securities for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case set forth in this clause (iv), solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock (clauses (ii) and (iii), collectively, the "*Permitted Repurchases*"), (v) redemptions of securities held by the Company or any wholly-owned Company Subsidiary or (vi) redemptions, purchases or other acquisitions of capital stock or other equity securities of any kind of any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008.

(d) Until such time as the Investor ceases to own any Preferred Shares or Warrant Shares, the Company shall not repurchase any Preferred Shares or Warrant Shares from any holder thereof, whether by means of open market purchase, negotiated transaction, or otherwise, other than Permitted Repurchases, unless it offers to repurchase a ratable portion of the Preferred Shares or Warrant Shares, as the case may be, then held by the Investor on the same terms and conditions.

(e) During the period beginning on the tenth anniversary of the Closing and ending on the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (i) declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary; or (ii) redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other than (A) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (B) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, or (C) dividends or distributions by any wholly-owned Company Subsidiary.

(f) "*Junior Stock*" means Common Stock and any other class or series of stock of the Company the terms of which expressly provide that it ranks junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company. "*Parity Stock*" means any class or series of stock of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

4.8 Executive Compensation. Until such time as the Investor ceases to own any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, the Company shall take all necessary action to ensure that its Benefit Plans with respect to its Senior Executive Officers comply in all respects with Section 111(b) of the EESA as implemented by any guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and shall not adopt any new Benefit Plan with respect to its Senior Executive Officers that does not comply therewith. "*Senior Executive Officers*" means the Company's "senior executive officers" as defined in subsection 111(b)(3) of the EESA and regulations issued thereunder, including the rules set forth in 31 C.F.R. Part 30.

4.9 Related Party Transactions. Until such time as the Investor ceases to own any Purchased Securities or Warrant Shares, the Company and the Company Subsidiaries shall not enter into transactions with Affiliates or related persons (within the meaning of Item 404 under the SEC's Regulation S-K) unless (i) such transactions are on terms no less favorable to the Company and the Company Subsidiaries than could be obtained from an unaffiliated third party, and (ii) have been approved by the audit committee of the Board of Directors or comparable body of independent directors of the Company.

4.10 Bank and Thrift Holding Company Status. If the Company is a Bank Holding Company or a Savings and Loan Holding Company on the Signing Date, then the Company shall maintain its status as a Bank Holding Company or Savings and Loan Holding Company, as the case may be, for as long as the Investor owns any Purchased Securities or Warrant Shares. The Company shall redeem all Purchased Securities and Warrant Shares held by the Investor prior to terminating its status as a Bank Holding Company or Savings and Loan Holding Company, as applicable. "*Bank Holding Company*" means a company registered as such with the Board of Governors of the Federal Reserve System (the "*Federal Reserve*") pursuant to 12 U.S.C. §1842 and the regulations of the Federal Reserve promulgated thereunder. "*Savings and Loan Holding Company*" means a company registered as such with the Office of Thrift Supervision pursuant to 12 U.S.C. §1467(a) and the regulations of the Office of Thrift Supervision promulgated thereunder.

4.11 Predominantly Financial. For as long as the Investor owns any Purchased Securities or Warrant Shares, the Company, to the extent it is not itself an insured depository institution, agrees to remain predominantly engaged in financial activities. A company is predominantly engaged in financial activities if the annual gross revenues derived by the company and all subsidiaries of the company (excluding revenues derived from subsidiary depository institutions), on a consolidated basis, from engaging in activities that are financial in nature or are incidental to a financial activity under subsection (k) of Section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)) represent at least 85 percent of the consolidated annual gross revenues of the company.

Article V
Miscellaneous

5.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Investor or the Company if the Closing shall not have occurred by the 30th calendar day following the Signing Date; *provided*, *however*, that in the event the Closing has not occurred by such 30th calendar day, the parties will consult in good faith to determine whether to extend the term of this Agreement, it being understood that the parties shall be required to consult only until the fifth day after such 30th calendar day and not be under any obligation to extend the term of this Agreement thereafter; *provided, further*, that the right to terminate this Agreement under this Section 5.1(a) shall not be available to any party whose breach of any representation or warranty or failure to perform any obligation under this Agreement shall have caused or resulted in the failure of the Closing to occur on or prior to such date; or

(b) by either the Investor or the Company in the event that any Governmental Entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) by the mutual written consent of the Investor and the Company.

In the event of termination of this Agreement as provided in this Section 5.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except that nothing herein shall relieve either party from liability for any breach of this Agreement.

5.2 Survival of Representations and Warranties. All covenants and agreements, other than those which by their terms apply in whole or in part after the Closing, shall terminate as of the Closing. The representations and warranties of the Company made herein or in any certificates delivered in connection with the Closing shall survive the Closing without limitation.

5.3 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that the Investor may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the Signing Date in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

5.4 Waiver of Conditions. The conditions to each party's obligation to consummate the Purchase are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.5 **Governing Law: Submission to Jurisdiction, Etc. This Agreement will be governed by and construed in accordance with the federal law of the United States if and to**

the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby, and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 5.6 and (ii) the Investor in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby.

5.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices to the Company shall be delivered as set forth in Schedule A, or pursuant to such other instruction as may be designated in writing by the Company to the Investor. All notices to the Investor shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Investor to the Company.

If to the Investor:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 2312
Washington, D.C. 20220
Attention: Assistant General Counsel (Banking and Finance)
Facsimile: (202) 622-1974

5.7 Definitions

(a) When a reference is made in this Agreement to a subsidiary of a person, the term "*subsidiary*" means any corporation, partnership, joint venture, limited liability company or other entity (x) of which such person or a subsidiary of such person is a general partner or (y) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is directly or indirectly owned by such person and/or one or more subsidiaries thereof.

(b) The term "*Affiliate*" means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, "*control*" (including, with correlative meanings, the terms "*controlled by*" and "*under common control with*") when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

(c) The terms "*knowledge of the Company*" or "*Company's knowledge*" mean the actual knowledge after reasonable and due inquiry of the "*officers*" (as such term is defined in Rule 3b-2 under the Exchange Act, but excluding any Vice President or Secretary) of the Company.

5.8 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (a) an assignment, in the case of a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company's stockholders (a "*Business Combination*") where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (b) as provided in Sections 3.5 and 4.5.

5.9 Severability. If any provision of this Agreement or the Warrant, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.10 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor any benefit, right or remedies, except that the provisions of Section 4.5 shall inure to the benefit of the persons referred to in that Section.

* * *

ANNEX A

FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK

[SEE ATTACHED]

ANNEX A

FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [•]

OF

[•]

[Insert name of Issuer], a [corporation/bank/banking association] organized and existing under the laws of the ***[Insert jurisdiction of organization]*** (the "Issuer"), in accordance with the provisions of Section[s] [•] of the ***[Insert applicable statute]*** thereof, does hereby certify:

The board of directors of the Issuer (the "Board of Directors") or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [•] creating a series of [•] shares of Preferred Stock of the Issuer designated as "Fixed Rate Cumulative Perpetual Preferred Stock, Series [•]".

RESOLVED, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value $[•] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the "Fixed Rate Cumulative Perpetual Preferred Stock, Series [•]" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock shall be [•].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part. 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) "Common Stock" means the common stock, par value $[•] per share, of the Issuer.

(b) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.

(c) "Junior Stock" means the Common Stock, [***Insert titles of any existing Junior Stock***] and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) "Liquidation Amount" means $[1,000][1] per share of Designated Preferred Stock.

(e) "Minimum Amount" means $[***Insert $ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date***].

(f) "Parity Stock" means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer's [***Insert title(s) of existing classes or series of Parity Stock***].

(g) "Signing Date" means [***Insert date of applicable securities purchase agreement***].

Part. 4. Certain Voting Matters. [***To be inserted if the Charter provides for voting in proportion to liquidation preferences***: Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this [Certificate of Designations], each holder will be entitled to one vote for each $1,000 of liquidation preference to which such holder's shares are entitled.] [***To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:*** Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

[*Remainder of Page Intentionally Left Blank*]

[1] If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, [***Insert name of Issuer***] has caused this [Certificate of Designations] to be signed by [•], its [•], this [•] day of [•].

[***Insert name of Issuer***]

By: ____________________
Name:
Title:

Schedule A

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) "Applicable Dividend Rate" means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) "Appropriate Federal Banking Agency" means the "appropriate Federal banking agency" with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) "Business Combination" means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer's stockholders.

(d) "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) "Bylaws" means the bylaws of the Issuer, as they may be amended from time to time.

(f) "Certificate of Designations" means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(g) "Charter" means the Issuer's certificate or articles of incorporation, articles of association, or similar organizational document.

(h) "Dividend Period" has the meaning set forth in Section 3(a).

(i) "Dividend Record Date" has the meaning set forth in Section 3(a).

(j) "Liquidation Preference" has the meaning set forth in Section 4(a).

(k) "Original Issue Date" means the date on which shares of Designated Preferred Stock are first issued.

(l) "Preferred Director" has the meaning set forth in Section 7(b).

(m) "Preferred Stock" means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(n) "Qualified Equity Offering" means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer's Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(o) "Standard Provisions" mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(p) "Successor Preferred Stock" has the meaning set forth in Section 5(a).

(q) "Voting Parity Stock" means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a "Dividend Period", provided that the initial

Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least $500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Issuer's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

ANNEX B

FORM OF CERTIFICATE OF DESIGNATIONS
FOR WARRANT PREFERRED STOCK

[SEE ATTACHED]

ANNEX B

FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [•]

OF

[•]

[Insert name of Issuer], a [corporation/bank/banking association] organized and existing under the laws of the ***[Insert jurisdiction of organization]*** (the "Issuer"), in accordance with the provisions of Section[s] [•] of the ***[Insert applicable statute]*** thereof, does hereby certify:

The board of directors of the Issuer (the "Board of Directors") or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [•] creating a series of [•] shares of Preferred Stock of the Issuer designated as "Fixed Rate Cumulative Perpetual Preferred Stock, Series [•]".

RESOLVED, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value $[•] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the "Fixed Rate Cumulative Perpetual Preferred Stock, Series [•]" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock shall be [•].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part. 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) "Common Stock" means the common stock, par value $[•] per share, of the Issuer.

(b) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.

(c) "Junior Stock" means the Common Stock, [***Insert titles of any existing Junior Stock***] and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) "Liquidation Amount" means $[1,000][1] per share of Designated Preferred Stock.

(e) "Minimum Amount" means $[***Insert $ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date***].

(f) "Parity Stock" means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer's UST Preferred Stock [and] [***Insert title(s) of any other classes or series of Parity Stock***].

(g) "Signing Date" means [***Insert date of applicable securities purchase agreement***].

(h) "UST Preferred Stock" means the Issuer's Fixed Rate Cumulative Perpetual Preferred Stock, Series [•].

Part. 4. Certain Voting Matters. [***To be inserted if the Charter provides for voting in proportion to liquidation preferences***: Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this [Certificate of Designations], each holder will be entitled to one vote for each $1,000 of liquidation preference to which such holder's shares are entitled.] [***To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:*** Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

[*Remainder of Page Intentionally Left Blank*]

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[1] If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, [***Insert name of Issuer***] has caused this [Certificate of Designations] to be signed by [●], its [●], this [●] day of [●].

[***Insert name of Issuer***]

By: ______________________
Name:
Title:

Schedule A

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) "Appropriate Federal Banking Agency" means the "appropriate Federal banking agency" with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(b) "Business Combination" means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer's stockholders.

(c) "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(d) "Bylaws" means the bylaws of the Issuer, as they may be amended from time to time.

(e) "Certificate of Designations" means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(f) "Charter" means the Issuer's certificate or articles of incorporation, articles of association, or similar organizational document.

(g) "Dividend Period" has the meaning set forth in Section 3(a).

(h) "Dividend Record Date" has the meaning set forth in Section 3(a).

(i) "Liquidation Preference" has the meaning set forth in Section 4(a).

(j) "Original Issue Date" means the date on which shares of Designated Preferred Stock are first issued.

(k) "Preferred Director" has the meaning set forth in Section 7(b).

(l) "Preferred Stock" means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(m) "Qualified Equity Offering" means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer's Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(n) "Standard Provisions" mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(o) "Successor Preferred Stock" has the meaning set forth in Section 5(a).

(p) "Voting Parity Stock" means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a per annum rate of 9.0% on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a "Dividend Period", provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a

Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the later of (i) first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date; and (ii) the date on which all outstanding shares of UST Preferred Stock have been redeemed, repurchased or otherwise acquired by the Issuer. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency and subject to the requirement that all outstanding shares of UST Preferred Stock shall previously have been redeemed, repurchased or otherwise acquired by the Issuer, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of

Manhattan, The City of New York, and having a capital and surplus of at least $500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Issuer's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

ANNEX C

FORM OF WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

ANNEX D

FORM OF OPINION

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation.

(b) The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to the Agreement, the Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock issued on the Closing Date with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(c) The Warrant has been duly authorized and, when executed and delivered as contemplated by the Agreement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.

(d) The shares of Warrant Preferred Stock issuable upon exercise of the Warrant have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(e) The Company has the corporate power and authority to execute and deliver the Agreement and the Warrant and to carry out its obligations thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares).

(f) The execution, delivery and performance by the Company of the Agreement and the Warrant and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company.

(g) The Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity; *provided*, *however*, such counsel need express no opinion with respect to Section 4.5(h) or the severability provisions of the Agreement insofar as Section 4.5(h) is concerned.

ANNEX E

FORM OF WARRANT

[SEE ATTACHED]

ANNEX E

FORM OF WARRANT TO PURCHASE PREFERRED STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

WARRANT
to purchase

____
Shares of Preferred Stock

of ____________________

Issue Date: ________________________

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

"*Board of Directors*" means the board of directors of the Company, including any duly authorized committee thereof.

"*business day*" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

"*Charter*" means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

"*Company*" means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Exercise Price*" means the amount set forth in Item 2 of Schedule A hereto.

"*Expiration Time*" has the meaning set forth in Section 3.

"*Issue Date*" means the date set forth in Item 3 of Schedule A hereto.

"*Liquidation Amount*" means the amount set forth in Item 4 of Schedule A hereto.

"*Original Warrantholder*" means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

"*Person*" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"*Preferred Stock*" means the series of perpetual preferred stock set forth in Item 5 of Schedule A hereto.

"*Purchase Agreement*" means the Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, dated as of the date set forth in Item 6 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury (the "*Letter Agreement*"), including all annexes and schedules thereto.

"*Regulatory Approvals*" with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Preferred Stock and to own such Preferred Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Shares*" has the meaning set forth in Section 2.

"*Warrantholder*" has the meaning set forth in Section 2.

"*Warrant*" means this Warrant, issued pursuant to the Purchase Agreement.

2. Number of Shares; Exercise Price. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the "*Warrantholder*") is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the

Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Preferred Stock set forth in Item 7 of Schedule A hereto (the "*Shares*"), at a purchase price per share of Preferred Stock equal to the Exercise Price.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the tenth anniversary of the Issue Date (the "*Expiration Time*"), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 8 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased, by having the Company withhold, from the shares of Preferred Stock that would otherwise be delivered to the Warrantholder upon such exercise, shares of Preferred Stock issuable upon exercise of the Warrant with an aggregate Liquidation Amount equal in value to the aggregate Exercise Price as to which this Warrant is so exercised.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Issuance of Shares; Authorization. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued preferred stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Preferred Stock then issuable upon exercise of this Warrant at any

time. The Company will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

6. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

7. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 7, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 7 shall be paid by the Company.

(B) The transfer of the Warrant and the Shares issued upon exercise of the Warrant are subject to the restrictions set forth in Section 4.4 of the Purchase Agreement. If and for so long as required by the Purchase Agreement, this Warrant shall contain the legends as set forth in Section 4.2(a) of the Purchase Agreement.

8. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

9. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

11. Rule 144 Information. The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Purchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

12. Adjustments and Other Rights. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs that, in the good faith judgment of the Board of Directors of the Company, would require adjustment of the Exercise Price or number of Shares into which this Warrant is exercisable in order to fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of the Purchase Agreement and this Warrant, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid.

Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in this Section 12, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

13. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

14. Governing Law. This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and

to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 17 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 8 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 9 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

18. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Letter Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Form of Notice of Exercise]
Date: _________

TO: **[Company]**

RE: Election to Purchase Preferred Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase such number of shares of Preferred Stock covered by the Warrant such that after giving effect to an exercise pursuant to Section 3(B) of the Warrant, the undersigned will receive the net number of shares of Preferred Stock set forth below. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Preferred Stock in the manner set forth in Section 3(B) of the Warrant.

Number of Shares of Preferred Stock:[1] ________________________

The undersigned agrees that it is exercising the attached Warrant in full and that, upon receipt by the undersigned of the number of shares of Preferred Stock set forth above, such Warrant shall be deemed to be cancelled and surrendered to the Company.

Holder: ________________________
By: ________________________
Name: ________________________
Title: ________________________

1. Number of shares to be received by the undersigned upon exercise of the attached Warrant pursuant to Section 3(B) thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: _______________

COMPANY: _______________

By: ____________________________
Name:
Title:

Attest:

By: ____________________________
Name:
Title:

[Signature Page to Warrant]

SCHEDULE A

Item 1
Name:
Corporate or other organizational form:
Jurisdiction of organization:

Item 2
Exercise Price:[2]

Item 3
Issue Date:

Item 4
Liquidation Amount:

Item 5
Series of Perpetual Preferred Stock:

Item 6
Date of Letter Agreement between the Company and the United States Department of the Treasury:

Item 7
Number of shares of Preferred Stock:[3]

Item 8
Company's address:

Item 9
Notice information:

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[2] $0.01 per share or such greater amount as the Charter may require as the par value of the Preferred Stock.

[3] The initial number of shares of Preferred Stock for which this Warrant is exercisable shall include the number of shares required to effect the cashless exercise pursuant to Section 3(B) of this Warrant (e.g., such number of shares of Preferred Stock having an aggregate Liquidation Amount equal in value to the aggregate Exercise Price) such that, following exercise of this Warrant and payment of the Exercise Price in accordance with such Section 3(B), the net number of shares of Preferred Stock delivered to the Warrantholder (and rounded to the nearest whole share) would have an aggregate Liquidation Amount equal to 5% of the aggregate amount invested by the United States Department of the Treasury on the investment date.

UST Seq. No. 595

SCHEDULE A

ADDITIONAL TERMS AND CONDITIONS

Company Information:

Name of the Company: Reliance Bancshares, Inc.

Corporate or other organizational form: Corporate

Jurisdiction of Organization: Missouri

Appropriate Federal Banking Agency: Federal Deposit Insurance Corporation

Notice Information: Jerry S. Von Rohr
President and Chief Executive Officer
Reliance Bancshares, Inc.
10401 Clayton Road
Frontenac (St. Louis), Missouri 63131
(314) 569-7201
(314) 569-7301 (fax)
jvonrohr@reliacnebankstl.com

Terms of the Purchase:

Series of Preferred Stock Purchased: Fixed Rate Cumulative Perpetual Preferred Stock, No Par Value, Series A

Per Share Liquidation Preference of Preferred Stock: $1,000.00

Number of Shares of Preferred Stock Purchased: 40,000

Dividend Payment Dates on the Preferred Stock: February 15, May 15, August 15, and November 15

Series of Warrant Preferred Stock: Fixed Rate Cumulative Perpetual Preferred Stock, No Par Value, Series B

Number of Warrant Shares: 2,000.02

Number of Net Warrant Shares (after net settlement): 2,000

Exercise Price of the Warrant: $0.01 per share

Purchase Price: $40,000,000.00

Closing:

Location of Closing: Squire, Sanders & Dempsey L.L.P., 221 East Fourth Street, Suite 2900, Cincinnati, Ohio 45202

Time of Closing: 9:00 A.M. EST

Date of Closing: February 13, 2009

SCHEDULE A

Wire Information for Closing:	**ABA Number:**[redacted] **Bank:** [redacted] **Account Name:**[redacted] [redacted]. **Account Number:** [redacted] **Beneficiary:** [redacted]
Inc.	
Contact for Confirmation of Wire Information:	Dale E. Oberkfell (EVP) (314) 569-7202 doberkfell@reliancebankstl.com

UST Seq. No. 595

SCHEDULE B

CAPITALIZATION

Capitalization Date: January 31, 2009

Common Stock

Par Value: $0.25 per share

Total Authorized: 40,000,000

Outstanding: [redacted]

Subject to warrants, options, convertible securities, etc.: [redacted]

Reserved for benefit plans and other issuances: [redacted]

Remaining authorized but unissued: [redacted]

Shares issued after Capitalization Date (other than pursuant to warrants, options, convertible securities, etc. as set forth above): None

Preferred Stock

Par value: No par value

Total Authorized: 2,000,000

Outstanding (by series): None

Reserved for issuance: None

Remaining authorized but unissued: 2,000,000

Holders of 5% or more of any class of capital stock	Primary Address
[redacted]	[redacted]
[redacted]	[redacted]

UST Seq. No. 595

SCHEDULE C

LITIGATION

List any exceptions to the representation and warranty in Section 2.2(l) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box☒.

UST Seq. No. 595

SCHEDULE D

COMPLIANCE WITH LAWS

List any exceptions to the representation and warranty in the second sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: ☒.

List any exceptions to the representation and warranty in the last sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Term

If none, please so indicate by checking the box☒.

UST Seq. No. 595

SCHEDULE E

REGULATORY AGREEMENTS

List any exceptions to the representation and warranty in Section 2.2(s) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box ☒.

SCHEDULE F

COMPANY FINANCIAL STATEMENTS

The December 31, 2008 financial statements are not yet completed and will be provided to the Investor promptly when available. The remaining Company Financial Statements that were Previously Disclosed pursuant to Section 2.2(h) of the Securities Purchase Agreement – Standard Terms are attached hereto.

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

4339 Butler Hill Road
St. Louis, Missouri 63128
Phone (314) 845-6050 Fax (314) 845-5902

Independent Auditors' Report

The Board of Directors
Reliance Bancshares, Inc.:

We have audited the accompanying consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cummings, Ristau & Associates, P.C.

February 17, 2006
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2005 and 2004

ASSETS	2005	2004
Cash and due from banks (note 2)	$ 4,671,958	5,429,569
Interest-earning deposits in other financial institutions	188,136	66,804
Federal funds sold	11,110,000	210,000
Investments in available-for-sale debt and equity securities, at fair value (note 3)	189,779,079	121,510,144
Loans (notes 4 and 9)	472,805,329	300,399,844
Less - Deferred loan fees/costs	(190,386)	(39,806)
Reserve for possible loan losses	(5,213,032)	(3,112,382)
Net loans	467,401,911	297,247,656
Bank premises and equipment, net (note 5)	21,974,630	14,891,336
Accrued interest receivable	3,499,425	2,161,013
Identifiable intangible assets, net of accumulated amortization of $42,077 and $25,789 at December 31, 2005 and 2004, respectively	202,242	218,530
Goodwill	1,149,192	1,149,192
Other assets (note 7)	2,485,846	884,511
	$ 702,462,419	443,768,755
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-interest-bearing deposits	$ 40,989,777	28,025,817
Interest-bearing deposits (note 6)	535,435,063	303,657,372
Total deposits	576,424,840	331,683,189
Short-term borrowings (note 8)	16,847,212	31,808,675
Notes payable to Federal Home Loan Bank (note 9)	14,300,000	5,800,000
Accrued interest payable	1,759,373	920,302
Other liabilities	914,987	350,455
Total liabilities	610,246,412	370,562,621
Commitments and contingencies (notes 13 and 14)		
Stockholders' equity (notes 11, 12, and 15):		
Preferred stock, no par value; 400,000 shares authorized, 4,244 shares issued at December 31, 2005	64,369	—
Common stock, $0.50 par value; 18,000,000 shares authorized, 9,116,564 and 7,478,422 shares issued and outstanding at December 31, 2005 and 2004, respectively	4,558,282	3,739,211
Surplus	94,439,615	65,761,317
Subscriptions receivable	(11,122,068)	—
Retained earnings	5,851,094	3,928,063
Accumulated other comprehensive income – net unrealized holding losses on available-for-sale debt securities	(1,575,285)	(222,457)
Total stockholders' equity	92,216,007	73,206,134
	$ 702,462,419	443,768,755

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2005 and 2004

	2005	2004
Interest income:		
Interest and fees on loans (note 4)	$ 25,184,572	12,879,926
Interest on debt and equity securities:		
Taxable	4,873,530	3,543,230
Exempt from Federal income taxes	598,869	343,258
Interest on short-term investments	636,223	102,749
Total interest income	31,293,194	16,869,163
Interest expense:		
Interest on deposits (note 6)	14,191,299	6,474,220
Interest on short-term borrowings (note 8)	468,319	231,841
Interest on notes payable to Federal Home Loan Bank (note 9)	575,906	239,430
Total interest expense	15,235,524	6,945,491
Net interest income	16,057,670	9,923,672
Provision for possible loan losses (note 4)	2,332,878	1,065,710
Net interest income after provision for possible loan losses	13,724,792	8,857,962
Noninterest income:		
Service charges on deposit accounts	277,688	188,809
Net gains (losses) on sale of debt securities (note 3)	(103,486)	292,762
Mortgage banking revenue	129,454	127,076
Other noninterest income (note 5)	207,037	87,490
Total noninterest income	510,693	696,137
Noninterest expense:		
Salaries and employee benefits (note 10)	6,736,287	4,457,902
Occupancy and equipment expense (note 5)	1,408,788	897,457
Postage, printing and supplies	267,910	220,385
Professional fees	235,646	204,002
Data processing	757,499	519,308
Miscellaneous taxes and license fees	128,131	36,179
Advertising	359,303	328,773
Amortization of intangible assets	16,288	16,288
Other noninterest operating expenses	1,539,659	809,627
Total noninterest expense	11,449,511	7,489,921
Income before applicable income taxes	2,785,974	2,064,178
Applicable income tax expense (note 7)	862,943	641,871
Net income	$ 1,923,031	1,422,307

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2005 and 2004

	2005	2004
Net income	$ 1,923,031	1,422,307
Other comprehensive income (loss) before tax:		
Net unrealized gains (losses) on available-for-sale securities	(2,153,225)	(861,424)
Reclassification adjustment for losses (gains) included in net income	103,486	(292,762)
Other comprehensive income (loss) before tax	(2,049,739)	(1,154,186)
Income tax related to items of other comprehensive income (loss)	(696,911)	(392,423)
Other comprehensive income (loss), net of tax	(1,352,828)	(761,763)
Total comprehensive income	$ 570,203	660,544

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2005 and 2004

		Preferred stock	Common stock	Surplus	Subscriptions receivable	Retained earnings	Treasury stock	Accumulated other comprehensive income - net unrealized holding gains (losses) on available-for-sale securities	Total stock-holders' equity
Balance at December 31, 2003	$	—	2,887,219	43,655,984	—	2,505,756	—	539,306	49,588,265
Net income		—	—	—	—	1,422,307	—	—	1,422,307
Issuance of 1,660,065 shares of common stock		—	830,033	21,663,403	—	—	—	—	22,493,436
Stock issuance costs		—	—	(28,800)	—	—	—	—	(28,800)
Stock options exercised – 13,334 shares		—	6,667	87,171	—	—	—	—	93,838
Issuance of 28,362 shares in connection with purchase of Bank premises		—	14,181	347,435	—	—	—	—	361,616
Issuance of 2,223 shares as partial payment for certain operating leases		—	1,111	36,124	—	—	—	—	37,235
Change in valuation of available-for-sale securities, net of related tax effect		—	—	—	—	—	—	(761,763)	(761,763)
Balance at December 31, 2004		—	3,739,211	65,761,317	—	3,928,063	—	(222,457)	73,206,134
Net income		—	—	—	—	1,923,031	—	—	1,923,031
Issuance of 1,047,103 shares of common stock		—	523,551	17,831,661	—	—	—	—	18,355,212
Stock issuance costs		—	—	(32,118)	—	—	—	—	(32,118)
Purchase of 10,112 common shares for treasury		—	—	—	—	—	(198,846)	—	(198,846)
Sale of 10,112 shares from treasury		—	—	(13,466)	—	—	198,846	—	185,380
Stock options exercised – 4,000 shares		—	2,000	32,000	—	—	—	—	34,000
Issuance of 4,244 shares of preferred stock		64,369	—	—	—	—	—	—	64,369
Issuance of 1,667 shares as partial payment for certain operating leases		—	834	30,839	—	—	—	—	31,673
Subscriptions received for 585,372 shares of common stock		—	292,686	10,829,382	(11,122,068)	—	—	—	—
Change in valuation of available -for-sale securities, net of related tax effect		—	—	—	—	—	—	(1,352,828)	(1,352,828)
Balance at December 31, 2005	$	64,369	4,558,282	94,439,615	(11,122,068)	5,851,094	—	(1,575,285)	92,216,007

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net income	$ 1,923,031	1,422,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,213,112	1,282,984
Provision for possible loan losses	2,332,878	1,065,710
Deferred income tax benefit	(438,840)	(303,673)
Net losses (gains) on sale of debt and equity securities	103,486	(292,762)
Increase in accrued interest receivable	(1,338,412)	(513,492)
Increase in accrued interest payable	839,071	367,594
Mortgage loans originated for sale in secondary market	(15,545,559)	(12,043,905)
Mortgage loans sold in secondary market	15,545,559	12,043,905
Other operating activities, net	636,407	224,839
Net cash provided by operating activities	5,270,733	3,253,507
Cash flows from investing activities:		
Purchase of available-for-sale debt and equity securities	(98,811,739)	(83,859,160)
Proceeds from maturities and calls of available-for-sale debt securities	23,620,386	25,056,647
Proceeds from sales of available-for-sale debt securities	4,408,291	29,939,314
Net increase in loans	(173,136,694)	(109,006,373)
Proceeds from sale of other real estate owned	87,042	—
Purchase of bank premises and equipment	(7,862,483)	(6,130,490)
Net cash used in investing activities	(251,695,197)	(144,000,062)
Cash flows from financing activities:		
Net increase in deposits	244,741,651	101,340,308
Net increase in short-term borrowings	(14,961,463)	18,546,809
Proceeds from notes payable to Federal Home Loan Bank	10,000,000	—
Payments of notes payable to Federal Home Loan Bank	(1,500,000)	—
Issuance of common stock	18,355,212	22,493,436
Issuance of preferred stock	64,369	—
Purchase of treasury stock	(198,846)	—
Sale of treasury stock	185,380	—
Stock options exercised	34,000	93,838
Payment of stock issuance costs	(32,118)	(28,800)
Net cash provided by financing activities	256,688,185	142,445,591
Net increase in cash and cash equivalents	10,263,721	1,699,036
Cash and cash equivalents at beginning of period	5,706,373	4,007,337
Cash and cash equivalents at end of period	$ 15,970,094	5,706,373
Supplemental information:		
Cash paid for:		
Interest	$ 14,475,958	6,670,994
Income taxes	1,347,000	701,000
Noncash transactions:		
Transfers to other real estate in settlement of loans	1,207,485	—
Loans made to facilitate the sale of other real estate	603,000	—
Capitalized interest expense	79,505	93,097
Stock issued for purchase of bank building	—	361,616
Stock issued for operating lease payments	31,673	37,235

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois through the eleven locations of its wholly-owned subsidiaries, Reliance Bank and Reliance Bank of Godfrey (hereinafter referred to as "the Banks"). Effective October 31, 2005, Reliance Bank of Godfrey (which was acquired by the Company on May 31, 2003) was merged into Reliance Bank. The Company has also received approval to open a new Federal Savings Bank, Reliance Bank, FSB in Ft. Myers, Florida. This Federal Savings Bank was opened on January 17, 2006. Prior to this opening Reliance Bank had maintained a loan production office in Ft. Myers, Florida and, with the opening of the Federal Savings Bank, loans totaling approximately $14 million that were originated in the Reliance Bank loan production office were transferred to the Federal Savings Bank, a wholly-owned subsidiary of the Company.

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and the west coast of Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses and valuation of other real estate owned and stock options. Actual results could differ from those estimates.

Following is a description of the more significant of the accounting policies of the Company and Banks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners.

Cash Flow Information

For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Such balances generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Investments in Debt and Equity Securities

The Banks classify their debt securities into one of three categories at the time of purchase: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near-term. Held-to-maturity securities are those debt securities which the Banks have the ability and intent to hold until maturity. All other debt securities not included in trading or held-to-maturity, and all equity securities, are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities (for which no such securities were so designated at December 31, 2005 and 2004) would be recorded at amortized cost, adjusted for the amortization of premiums or accretion of discounts. Holding gains and losses on trading securities (for which no securities were so designated at December 31, 2005 and 2004) would be included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income in stockholders' equity until realized. Transfers of securities between categories would be recorded at fair value at the date of transfer. Unrealized holding gains and losses would be recognized in earnings for transfers into the trading category.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Amortization of premiums and accretion of discounts for mortgage-backed securities are recognized as interest income using the interest method, which considers the timing and amount of prepayments of the underlying mortgages in estimating future cash flows for individual mortgage-backed securities. For other debt securities in the available-for-sale and held-to-maturity categories, premiums and discounts are amortized or accreted over the lives of the respective securities, with consideration of historical and estimated prepayment rates, as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses from the sale of any securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary will result in a charge to earnings and the establishment of a new cost basis for the security. To determine whether an impairment is other-than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reason for impairment, the severity and duration of the impairment, and changes in value after the balance sheet date.

Loans

Interest on loans is credited to income based on the principal amount outstanding. Loans are considered delinquent whenever interest and/or principal payments have not been received when due. The recognition of interest income is discontinued when, in management's judgment, the interest will not be collectible in the normal course of business. Subsequent payments received on such loans are applied to principal if any doubt exists as to the collectibility of such principal; otherwise, such receipts are recorded as interest income. Loans are returned to accrual status when management believes full collectibility of principal and interest is expected. The Banks consider a loan impaired when all amounts due - both principal and interest - will not be collected in accordance with the contractual terms of the loan agreement. When measuring impairment for such loans, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan; however, the Banks would measure impairment based on the fair value of the collateral, if foreclosure was probable.

Loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the lives of the related loans using the interest method.

The reserve for possible loan losses is available to absorb loan charge-offs. The reserve is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Loans are partially or fully charged off when Bank management believes such amounts are uncollectible, either through collateral liquidation or cash payment. The provision charged to operations each year is that amount which management believes is sufficient to bring the balance of the reserve to a level adequate to absorb potential loan losses, based on their knowledge and evaluation of past losses, the current loan portfolio, and the current economic environment in which the borrowers of the Banks operate.

Management believes the reserve for possible loan losses is adequate to absorb losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the reserve may be necessary based on changes in economic conditions. Additionally, various regulatory agencies, as an integral part of the examination process, periodically review the Banks' reserves for possible loan losses. Such agencies may require the Banks to add to the reserve for possible loan losses based on their judgments and interpretations about information available to them at the time of their examinations.

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation of premises and equipment are computed over the expected lives of the assets, using the straight-line method. Estimated useful lives are 40 years for bank buildings and three to ten years for furniture, fixtures, and equipment. Expenditures for major renewals and betterments of bank premises and equipment (including related interest expense, which was $79,505 and $93,097 for the years ended December 31, 2005 and 2004, respectively) are capitalized, and those for maintenance and repairs are expensed as incurred.

Certain long-lived assets, such as bank premises and equipment, and certain identifiable intangible assets must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In such situations, recoverability of assets to be held and used would be measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of would be reported at the lower of the carrying amount or estimated fair value, less estimated selling costs.

Other Real Estate Owned

Other real estate owned represents property acquired through foreclosure, or deeded to the Banks in lieu of foreclosure, for loans on which borrowers have defaulted as to payment of principal and interest. Properties acquired are initially recorded at the lower of the Banks' carrying amount or fair value (less estimated selling costs), and carried in other assets in the consolidated balance sheets. No such parcels were outstanding at December 31, 2004. At December 31, 2005, the balance of other real estate owned was $381,332. Valuations are performed periodically by management, and an allowance for losses is established by means of a charge to noninterest expense if the carrying value of a property exceeded its fair value, less estimated selling costs. Subsequent increases in the fair value (less estimated selling costs) are recorded through a reversal of the allowance, but not below zero. Costs related to development and improvement of property are capitalized, while costs relating to holding the property are expensed.

Intangible Assets
Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at December 31, 2005 will be $16,288 for each of the next five years, and $120,802 thereafter.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life.

Securities Sold Under Agreements to Repurchase
The Banks enter into sales of securities under agreements to repurchase at specified future dates. Such repurchase agreements are considered financing arrangements and, accordingly, the obligation to repurchase assets sold is reflected as a liability in the consolidated balance sheets. Repurchase agreements are collateralized by debt securities which are under the control of the Banks.

Income Taxes
The Company and Banks file consolidated Federal and state income tax returns. Applicable income tax expense is computed based on reported income and expenses, adjusted for permanent differences between reported and taxable income. The Company and Banks use the asset and liability method of accounting for income taxes, in which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period which includes the enactment date.

Mortgage Banking Operations
The Banks maintain mortgage banking operations that originate mortgage loans for sale to the secondary market. Servicing rights are not retained on the loans originated and sold. Mortgage loans held for sale (for which no specific loans were held at December 31, 2005 and 2004) are valued at the lower of cost or market, as determined by outstanding commitments from investors. Gains and losses and the effects of market adjustments are included in noninterest income in the consolidated statements of income.

Stock Issuance Costs
The Company incurred certain costs associated with the issuance of its common stock. Such costs were recorded as a reduction of equity capital.

Stock Options

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (FAS 123). This standard defined a fair value-based method of accounting for an employee stock option or similar equity instrument. This statement gave entities a choice of recognizing related compensation expense by adopting the fair value method or to continue to measure compensation using the intrinsic value approach under Accounting Principles Board Opinion No. 25 (APB 25), the former standard. If the former method for measurement was elected, FAS 123 required supplemental disclosure to show the effects of using the new measurement criteria. This Statement has been effective since 1996; however, the Company has continued using the intrinsic value measurement method prescribed by APB 25 through December 31, 2005 and, accordingly, the pronouncement had no affect on the Company's financial position or results of operations for the year ended December 31, 2005 or for any previous period.

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (FAS 123R), which will require that the compensation cost relating to share-based payment transactions be recognized in financial statements. Such costs will be recognized over the period of service to which such compensation relates (generally the vesting period), and will be measured based on the fair value of the equity or liability instruments issued. FAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans, focusing primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The revised statement does not change the accounting guidance for share-based payment transactions with parties other than employees.

Under FAS 123R, the grant date value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

FAS 123R will replace FAS 123, and will supercede APB 25. The revised statement will be effective for nonpublic entities such as the Company beginning on January 1, 2006, and will apply to all awards granted on or after that date, and to awards modified, repurchased, or cancelled on or after that date. All awards granted prior to the effective date will continue to be accounted for under the guidance in effect prior to the effective date of FAS 123R.

Financial Instruments

For purposes of information included in note 14 regarding disclosures about financial instruments, financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract that both (a) imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (b) conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity.

Reclassifications
Certain reclassifications have been made to the 2004 financial statement amounts to conform to the 2005 presentation. All share and per share information has been restated to reflect the Company's two-for-one stock split and concurrent reduction in par value made on April 30, 2004.

NOTE 2 - CASH AND DUE FROM BANKS

The Banks are required to maintain certain daily reserve balances on hand in accordance with regulatory requirements. The reserve balance maintained in accordance with such requirements at December 31, 2005 and 2004 was approximately $1,268,000 and $662,000, respectively.

NOTE 3 - INVESTMENTS IN DEBT AND EQUITY SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair values of the Banks' available-for-sale debt and equity securities at December 31, 2005 and 2004 are as follows:

2005	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 128,413,428	15,967	(1,454,715)	126,974,680
Obligations of state and political subdivisions	21,215,751	52,027	(277,589)	20,990,189
Other debt securities	5,621,094	10,000	(86,007)	5,545,087
Mortgage-backed securities	34,980,002	55,816	(703,995)	34,331,823
Equity securities	1,937,300	—	—	1,937,300
	$ 192,167,575	133,810	(2,522,306)	189,779,079

2004	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 72,026,789	79,438	(362,161)	71,744,066
Obligations of state and political subdivisions	12,461,826	109,349	(115,400)	12,455,775
Other debt securities	5,710,681	7,404	(31,653)	5,686,432
Mortgage-backed securities	30,241,754	127,654	(151,692)	30,217,716
Equity securities	1,406,155	—	—	1,406,155
	$ 121,847,205	323,845	(660,906)	121,510,144

Included in available-for-sale securities at December 31, 2005 and 2004 are equity securities representing common stock of the Federal Home Loan Banks of Des Moines and Chicago, which are administered by the Federal Housing Finance Board. As members of the Federal Home Loan Bank System, the Banks must maintain minimum investments in the capital stock of the Federal Home Loan Bank of their respective district. The stock is recorded at cost, which represents redemption value.

The amortized cost and estimated fair values of debt and equity securities classified as available-for-sale at December 31, 2005, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without prepayment penalties.

	Amortized cost	Estimated fair value
Due one year or less	$ 33,925,245	33,773,279
Due one year through five years	79,702,416	78,533,311
Due five years through ten years	32,145,295	31,780,123
Due over ten years	9,477,317	9,423,243
Mortgage-backed securities	34,980,002	34,331,823
Equity securities	1,937,300	1,937,300
	$ 192,167,575	189,779,079

Provided below is a summary of available-for sale securities which were in an unrealized loss position at December 31, 2005. The obligations of U.S. Government agencies and mortgage-backed securities with unrealized losses at December 31, 2005 are primarily issued from and guaranteed by the Federal Home Loan Bank, Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. Obligations of states and political subdivisions in an unrealized loss position are primarily comprised of highly-rated municipal bonds. The Company has the ability and intent to hold these securities until such time as the value recovers or the securities mature. Further, the Company believes that the deterioration in value is attributable to changes in market interest rates and not the credit quality of the issuers.

	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
U.S. Treasury issues and obligations of U.S. Government agencies and corporations	$ 76,740,529	648,384	38,901,869	806,331	115,642,398	1,454,715
Obligations of states and political subdivisions	9,450,561	105,953	5,363,468	171,636	14,814,029	277,589
Other debt securities	309,888	4,075	3,225,199	81,932	3,535,087	86,007
Mortgage-backed securities	12,611,630	210,846	16,191,866	493,149	28,803,496	703,995
	$ 99,112,608	969,258	63,682,402	1,553,048	162,795,010	2,522,306

The carrying value of debt securities pledged to secure public funds, securities sold under repurchase agreements, and for other purposes amounted to approximately $115,715,000 and $86,870,000 at December 31, 2005 and 2004, respectively.

During 2005 and 2004, certain available-for-sale securities were sold for proceeds totaling $4,408,291 and $29,939,314, respectively, resulting in gross gains $3,854 and $298,214, respectively, and gross losses of $107,340 and $5,452, respectively.

NOTE 4 - LOANS

The composition of the loan portfolio at December 31, 2005 and 2004 is as follows:

	2005	2004
Commercial:		
Real estate	**$ 254,262,184**	146,655,674
Other	**66,790,693**	63,306,878
Real estate:		
Construction	**56,525,290**	26,716,989
Residential	**88,949,636**	60,150,980
Consumer	**6,196,062**	3,313,320
Overdrafts	**81,464**	256,003
	$ 472,805,329	300,399,844

The Banks grant commercial, industrial, residential, and consumer loans throughout the St. Louis metropolitan area in Missouri and Illinois and the west coast of Florida. The Banks do not have any particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio is concentrated in and secured by real estate in the St. Louis, Missouri and Ft. Myers, Florida metropolitan areas. The ability of the Banks' borrowers to honor their contractual obligations is dependent upon the local economies and their effect on the real estate market.

The aggregate amount of loans to executive officers and directors and loans made for the benefit of executive officers and directors was $30,755,381 and $14,502,769 at December 31, 2005 and 2004, respectively. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility. A summary of activity for loans to executive officers and directors for the year ended December 31, 2005 is as follows:

Balance, December 31, 2004	$ 14,502,769
New loans made	19,550,584
Payments received	(3,183,675)
Other changes	(114,297)
Balance, December 31, 2005	$ 30,755,381

Other changes represent changes in the composition of executive officers and directors and their related interests.

At December 31, 2005 and 2004, the Banks had a total of $3,050,351 and $1,622,164 of loans that were considered impaired, all of which have had the accrual of interest discontinued. At December 31, 2005, $617,191 of such impaired loans had no specific allocation of the reserve for possible loan losses allocated thereto. The Banks had allocated $239,563 and $72,901 of the reserve for possible loan losses for all other impaired loans at December 31, 2005 and 2004, respectively. Had these loans continued to accrue interest, the Banks would have earned $216,477 and $85,551 for the years ended December 31, 2005 and 2004, respectively, rather than the $74,533 and $29,608, respectively, that the Banks earned thereon on a cash basis. The average balance of impaired loans for the years ended December 31, 2005 and 2004 was $2,969,402 and $1,502,661, respectively. Loans 90 days or more delinquent and still accruing interest totaled approximately $24,000 and $998,000 at December 31, 2005 and 2004, respectively.

Transactions in the reserve for possible loan losses for the years ended December 31, 2005 and 2004 are summarized as follows:

		2005	2004
Balance, January 1	$	3,112,382	2,090,268
Provision charged to operations		2,332,878	1,065,710
Charge-offs		(259,935)	(44,591)
Recoveries of loans previously charged off		27,707	995
Balance, December 31	$	5,213,032	3,112,382

NOTE 5 - BANK PREMISES AND EQUIPMENT

A summary of Bank premises and equipment at December 31, 2005 and 2004 is as follows:

		2005	2004
Land	$	5,161,155	3,565,902
Buildings and improvements		13,705,948	8,311,853
Furniture, fixtures, and equipment		3,477,421	2,502,266
Construction in progress		1,913,662	2,009,438
		24,258,186	16,389,459
Less accumulated depreciation		2,283,556	1,498,123
	$	21,974,630	14,891,336

Amounts charged to noninterest expense for depreciation aggregated $790,846 and $369,712 for the years ended December 31, 2005 and 2004, respectively.

At December 31, 2005, Reliance Bank has four new branch locations in various stages of development throughout the St. Louis metropolitan area. Total construction costs, including land acquisition, are estimated to be approximately $6,350,000, all of which are expected to be completed in 2006. Certain of the branch construction contracts have or will involve contracts for construction with a general contracting company that is majority-owned by one of the Company's directors. All construction contracts entered into by the Company have been made under formal sealed bid processes. During the years ended December 31, 2005 and 2004, the Company paid $1,701,803 and $2,919,051, respectively, to the construction company owned by the Company director for construction costs incurred.

The Company also has a new banking facility under construction in Ft. Myers, Florida for Reliance Bank, F.S.B. Total construction costs of this facility are estimated to be approximately $2,661,000, which includes $854,311 for the purchase of land from a company in which two of the Company's directors had a controlling interest.

Reliance Bank leases the land on which two of its branch facilities have been built under noncancelable operating lease agreements that expire in 2024, with options to extend the leases for an additional 30 years. A portion of the payments under these operating leases is payable in Company common stock. Additionally, in September 2005, the Company also purchased a building that will serve as the Company's headquarters, which is located on land subject to a lease, which has been assigned to the Company, and expires in 2020. Minimum rental commitments and the total common stock committed for payments under all noncancelable operating lease agreements at December 31, 2005, for each of the next five years, and in the aggregate, are as follows:

		Minimum lease payments	Portion payable in stock
Year ending December 31:			
2006	$	244,258	30,000
2007		233,058	30,000
2008		228,158	30,000
2009		236,658	31,667
2010		217,058	31,667
After 2010		2,900,870	439,166
Total minimum payments required	$	4,060,060	592,500

The Company has also leased temporary facilities for its various branches during the construction of the applicable new branch facilities. Total rent paid by the Company for 2005 and 2004 was $253,110 and $149,781, respectively.

Reliance Bank leases a portion of one of its banking facilities to an unaffiliated company under a noncancelable lease that expires in 2010. Minimum rental income under this noncancelable lease at December 31, 2005, for each of the next five years and in the aggregate, is as follows:

Year ending December 31:		
2006	$	39,039
2007		39,039
2008		39,039
2009		39,039
2010		3,253
Total minimum payments required	$	159,409

The Company also leased its proposed new headquarters building to the former tenant for a short period of time in 2005, after the Company's purchase of the building. Total rental income recorded by the Company and Reliance Bank in 2005 totaled $94,833.

NOTE 6 - INTEREST-BEARING DEPOSITS

A summary of interest-bearing deposits at December 31, 2005 and 2004 is as follows:

	2005	2004
Interest-bearing transaction accounts	$ 35,158,013	51,771,119
Savings	159,485,364	8,102,564
Other time deposits:		
Less than $100,000	224,777,669	157,651,335
$100,000 and over	116,014,017	86,132,354
	$ 535,435,063	303,657,372

Deposits of executive officers, directors and their related interests at December 31, 2005 and 2004 totaled $5,207,927 and $7,158,973, respectively.

Interest expense on deposits for the years ended December 31, 2005 and 2004 is summarized as follows:

		2005	2004
Interest-bearing transaction accounts	$	942,053	589,303
Savings		2,958,133	78,608
Other time deposits:			
Less than $100,000		6,852,307	4,028,589
$100,000 and over		3,438,806	1,777,720
	$	14,191,299	6,474,220

Following are the maturities of time deposits for each of the next five years and in the aggregate at December 31, 2005:

Year ending December 31:	
2006	$ 230,657,837
2007	62,525,537
2008	23,853,120
2009	14,132,730
2010	9,622,462
	$ 340,791,686

NOTE 7 - INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2005 and 2004, respectively, are as follows:

	2005	2004
Current:		
Federal income taxes	$ 1,173,701	881,908
State income taxes	128,082	63,636
Deferred income taxes	(438,840)	(303,673)
	$ 862,943	641,871

A reconciliation of expected income tax expense computed by applying the Federal statutory rate of 34% to income before applicable income tax expense for the years ended December 31, 2005 and 2004, respectively, is as follows:

		2005	2004
Expected statutory Federal income tax expense	$	947,231	701,821
State income taxes, net of Federal benefit		84,534	42,000
Tax exempt interest and dividend income		(196,660)	(123,317)
Nondeductible expenses		29,531	18,876
Other, net		(1,693)	2,491
	$	862,943	641,871

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Deferred tax assets:		
Amortization of start-up costs for tax purposes	$ 60,055	—
Reserve for possible loan losses	1,926,227	1,142,755
Operating loss carryforward of purchased subsidiary	295,392	324,724
Unrealized net holding losses on available-for-sale securities	813,211	114,604
Total deferred tax assets	3,094,885	1,582,083
Deferred tax liabilities:		
Bank premises and equipment	(984,397)	(602,328)
Accrual basis of accounting used for financial reporting purposes and cash basis of accounting used for tax reporting purposes	(77,749)	(155,499)
Purchase adjustments	(109,583)	(135,956)
Other, net	(134,410)	(37,001)
Total deferred tax liabilities	(1,306,139)	(930,784)
Net deferred tax assets	$ 1,788,746	651,299

The Company is required to provide a valuation reserve on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation reserve at December 31, 2005 and 2004, due to management's belief that future income levels will be sufficient to realize the net deferred tax assets recorded. In connection with the acquisition of The Bank of Godfrey on May 31, 2003, the Company assumed operating loss carryforwards for tax reporting purposes totaling $1,038,149, and established deferred tax assets at acquisition of $218,968. At December 31, 2005, the operating loss carryforward for tax reporting purposes was $868,801, which will expire if not used by 2022.

NOTE 8 - SHORT-TERM BORROWINGS

Following is a summary of short-term borrowings at December 31, 2005 and 2004:

	2005	2004
Funds purchased	$ 2,433,561	10,584,552
Securities sold under repurchase agreements	14,413,651	21,224,123
	$ 16,847,212	31,808,675

Funds are purchased from the Federal Home Loan Bank of Des Moines and other financial institutions on a daily basis, when needed for liquidity. The Banks also sell securities under agreements to repurchase. These borrowings are collateralized by debt securities consisting of U.S. Government corporations or agencies with a net carrying value of $41,688,838 at December 31, 2005. The average balances, maximum month-end amounts outstanding, average rates paid during the year, and average rates at year end for funds purchased and securities sold under repurchase agreements as of and for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Average balance	$ 17,155,128	13,110,236
Maximum amount outstanding at any month-end	43,537,515	31,808,675
Average rate paid during the year	2.73%	1.77%
Average rate at end of year	3.78%	2.37%

NOTE 9 – NOTES PAYABLE TO FEDERAL HOME LOAN BANK

At December 31, 2005, Reliance Bank had fixed rate advances outstanding with the Federal Home Loan Bank of Des Moines, maturing as follows:

	Amount	Weighted average rate
Due in 2010	$ 10,000,000	4.43%
Due in 2011	4,300,000	4.86%
	$ 14,300,000	

At December 31, 2005, Reliance Bank maintained a line of credit in the amount of $22,944,277 with the Federal Home Loan Bank of Des Moines and had availability under that line of $8,644,277. Federal Home Loan Bank of Des Moines advances are secured under a blanket agreement which assigns all Federal Home Loan Bank of Des Moines stock and one-to-four family mortgage and commercial real estate loans.

NOTE 10 - EMPLOYEE BENEFITS

The Company sponsors a contributory 401(k) savings plan to provide retirement benefits to eligible employees. Contributions made by the Company in 2005 and 2004 totaled $110,974 and $62,213, respectively.

NOTE 11 - CAPITAL STOCK

The Company has authorized 18,000,000 shares of common stock with a par value of $0.50 per share. All share and per share information has been restated to reflect a two-for-one stock split and concurrent reduction in par value made on April 30, 2004. At December 31, 2005, 8,531,192 shares were issued and outstanding, with 1,730,000 shares reserved for issuance under the Company's stock option programs. Holders of the Company's common stock are entitled to one vote per share on all matters submitted to a shareholder vote. Holders of the Company's common stock are entitled to receive dividends when, as and if declared by the Company's Board of Directors. In the event of liquidation of the Company, the holders of the Company's common stock are entitled to share ratably in the remaining assets after payment of all liabilities and preferred shareholders as described below.

At December 31, 2005, the Company terminated its Ninth Private Placement Offering to accredited investors, in which shares of Company common stock were offered at 1.75 times the book value per share of the combined common and preferred stock (excluding any accumulated comprehensive income or loss included in stockholders' equity). In terminating the Ninth Private Placement Offering, the Company notified interested investors that subscriptions would be accepted for the purchase of common shares under the Ninth Private Placement Offering through December 31, 2005, provided that the payments were received by January 10, 2006. At December 31, 2005, the Company had subscriptions receivable totaling $11,122,068 for the purchase of 585,372 common shares, which were subsequently received by January 10, 2006. Had these funds been received by December 31, 2005, the Company's consolidated book value would have been $103,338,075, for a combined book value per common and preferred share value of $11.33, and excluding the accumulated comprehensive loss from stockholders' equity, the combined book value per common and preferred share would have been $11.50 per share.

The Company has authorized 400,000 shares of no par preferred stock. At December 31, 2005, 4,244 shares were issued and outstanding. Preferred stock may be issued by the Company's Board of Directors from time to time, in series, at which time the terms of such series (par value per share, dividend rates and dates, cumulative or noncumulative, liquidation preferences, etc.) shall be fixed by the Board of Directors. On January 19, 2005, the Company's Board of Directors authorized a separate issue of nonvoting convertible preferred stock for sale to officers and employees of the Company and its subsidiaries pursuant to the 2005 Employee Stock Purchase Plan established on September 29, 2004, which originally authorized the purchase of up to 150,000 shares of Company common stock at 85% of the common stock's fair value, by officers and employees of the Company. The preferred stock will be designated Series E Convertible Preferred Stock, authorized for 150,000 shares, with no par value, and will be available for sale only to officers and employees of the Company and its subsidiaries, pursuant to the Company's Employee Stock Purchase Plan, at prices determined from time to time under the Employee Stock Purchase Plan. Additionally, no dividends shall be declared and set aside for shares of Series E Convertible Preferred Stock, except in the event that the Board of Directors of the Company declares a dividend payable upon the outstanding common stock of the Company, in which case, the Series E preferred shareholders would be entitled to the same dividend as declared on the common stock, as if the preferred shares were converted to common stock prior to the dividend declaration.

In the event of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any sums shall be paid, or any assets distributed among the holders of Company common stock, the holders of Series E preferred stock would be entitled to be paid first out of the assets of the Company available for distribution at a liquidation price of the greater of (i) $14.45 per Series E preferred share, plus all dividends payable thereon, or (ii) such amount per share that would have been payable had each such Series E preferred share been converted to common stock immediately prior to the liquidation.

The Series E Convertible Preferred Stock is convertible into the Company's common stock at a conversion rate computed by dividing $14.45 by the applicable conversion value, which is initially defined as $14.45, adjusted accordingly for certain sales of common stock at prices under $14.45. The Series E Convertible Preferred Stock is convertible at the shareholder's option at any time after January 19, 2008, and at the option of the Company's Board of Directors at any time after January 19, 2006.

Stock Option Plans

Various stock option plans have been adopted (both incentive stock option plans and nonqualified stock option plans) under which options to purchase a total of 1,730,000 shares of Company common stock may be granted to officers, employees and directors of the Company and its subsidiary banks. All options were authorized and granted at prices approximating or exceeding the fair value of the Company's common stock at the date of grant. Various vesting schedules had been authorized for the options granted to date by the Company's Board of Directors, including certain performance measures used to determine vesting of certain options granted; however, in November 2005, the Company's Board of Directors approved the acceleration of all vesting requirements into 2005, except for nonqualified options to purchase 10,500 shares of common stock granted to the Company's directors in 2005. Options expire up to ten years from the date of grant if not exercised. For certain of the options granted, the Company's Board of Directors has the ability, at its sole discretion, to grant to key officers of the Company and Banks, the right to surrender their options held to the Company, in whole or in part, and to receive in exchange therefore, payment by the Company of an amount equal to the excess of the fair value of the shares subject to such options over the exercise price to acquire such options. Such payments may be made in cash, shares of Company common stock, or a combination thereof.

The weighted average option price for the 1,075,600 and 822,000 options outstanding at December 31, 2005 and 2004, respectively, was $12.68 and $10.82, respectively. At December 31, 2005, options to purchase an additional 354,900 shares of Company common stock were available for future grants under the various plans.

Following is a summary of stock option activity for the years ended December 31, 2005 and 2004:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Balance at December 31, 2003	$ 9.29	450,500	$ 10.23	174,000
Granted	13.77	124,000	14.50	103,500
Forfeited	9.90	(3,666)	11.46	(13,000)
Exercised	6.78	(11,334)	8.50	(2,000)
Balance at December 31, 2004	10.33	559,500	11.87	262,500
Granted	**18.45**	**247,600**	**17.63**	**16,000**
Forfeited	**14.81**	**(3,000)**	**10.50**	**(3,000)**
Exercised	**—**	**—**	**8.50**	**(4,000)**
Balance at December 31, 2005	**12.81**	**804,100**	**12.27**	**271,500**

Had compensation cost been determined based on the estimated fair value of the options on the grant date for stock options awarded in 2005 and 2004, the Company would have recorded additional compensation expense of $2,422,649 and $363,698 in 2005 and 2004, respectively, which would have resulted in a decrease in the Company's consolidated net income for 2005 and 2004 of $1,524,815 and $228,912, respectively.

The weighted average fair values of options granted in 2005 and 2004 was $5.21 and $3.97, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. Several assumptions have been made in arriving at the estimated fair value of the options outstanding at December 31, 2005 and 2004, including no volatility in the Company's common stock price, no dividends paid on the common stock, an expected weighted average option life of 8.61 and 9.40 years for options granted in 2005 and 2004, respectively, and a risk-free interest rate ranging from 4.00% to 4.50% in both 2005 and 2004. Any change in these assumptions could have a significant impact on the pro forma effects of determining compensation costs as disclosed herein. Actual results may differ significantly from the assumptions utilized in these disclosures.

NOTE 12 - PARENT COMPANY FINANCIAL INFORMATION

Subsidiary bank dividends are the principal source of funds for the payment of dividends by the Company to its stockholders and for debt servicing. The Banks are subject to regulation by regulatory authorities that require the maintenance of minimum capital requirements. As of December 31, 2004, there are no regulatory restrictions other than the maintenance of minimum capital standards (as discussed in Note 15), as to the amount of dividends the Banks may pay.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Following are condensed balance sheets as of December 31, 2005 and 2004, and the related condensed schedules of income and cash flows for the years then ended of the Company (parent company only):

	2005	2004
Condensed Balance Sheets		
Assets:		
Cash	$ 30,666,063	15,406,840
Investment in subsidiary banks	57,522,637	56,934,541
Premises and equipment	3,644,206	10,000
Other assets	450,958	854,753
Total assets	$ 92,283,864	73,206,134
Liabilities – accrued expenses payable	$ 67,857	—
Total stockholders' equity	92,216,007	73,206,134
Total liabilities and stockholders' equity	$ 92,283,864	73,206,134
Condensed Schedules of Income		
Revenue:		
Gain on sale of equity securities	$ —	7,659
Rental income	62,500	—
Interest on interest-earning deposits in subsidiary bank	528,076	216,071
Total revenues	590,576	223,730
Expenses:		
Salaries and employee benefits	225,160	90,350
Professional fees	83,988	65,096
Other expenses	276,902	48,821
Total expenses	586,050	204,267
Income before income tax and equity in undistributed income of subsidiary banks	4,526	19,463
Income tax expense	22,387	6,617
	(17,861)	12,846
Equity in undistributed income of subsidiary banks	1,940,892	1,409,461
Net income	$ 1,923,031	1,422,307

Condensed Schedules of Cash Flows	2005	2004
Cash flows from operating activities:		
Net income	$ 1,923,031	1,422,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary banks	(1,940,892)	(1,409,461)
Gain on sale of equity securities	—	(7,659)
Depreciation	30,000	—
Other, net	466,384	(272,819)
Net cash provided by (used in) operating activities	478,523	(267,632)
Cash flows from investing activities:		
Capital injections into subsidiary banks	—	(20,398,851)
Purchase of equity securities	—	(26,115)
Proceeds from sale of equity securities	—	33,774
Purchase of premises and equipment	(3,632,397)	—
Net cash used in investing activities	(3,632,397)	(20,391,192)
Cash flows from financing activities:		
Purchase of treasury stock	(198,846)	—
Sale of treasury stock	185,380	—
Sale of common stock	18,355,312	22,493,436
Sale of preferred stock	69,369	—
Stock options exercised	34,000	93,838
Payment of stock issuance costs	(32,118)	(28,800)
Net cash provided by financing activities	18,413,097	22,558,474
Net increase in cash	15,259,223	1,899,650
Cash at beginning of year	15,406,840	13,507,190
Cash at end of year	$ 30,666,063	15,406,840

NOTE 13 - LITIGATION

During the normal course of business, various legal claims have arisen which, in the opinion of management, will not result in any material liability to the Company.

NOTE 14 - DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at December 31, 2005 and 2004:

	2005	2004
Financial instruments for which contractual amounts represent:		
Commitments to extend credit	$ 58,445,987	49,907,830
Standby letters of credit	3,344,394	935,098
	$ 61,790,381	50,842,928

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. Of the total commitments to extend credit at December 31, 2005, $12,631,920 were made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Following is a summary of the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2005 and 2004:

	2005		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Balance sheet assets:				
Cash and due from banks	**$ 4,860,094**	**4,860,094**	5,496,373	5,496,373
Federal funds sold	**11,110,000**	**11,110,000**	210,000	210,000
Investments in debt and equity securities	**189,779,079**	**189,779,079**	121,510,144	121,510,144
Loans, net	**467,401,911**	**464,092,285**	297,247,656	301,405,360
Accrued interest receivable	**3,499,425**	**3,499,425**	2,161,013	2,161,013
	$ 676,650,509	**673,340,883**	426,625,186	430,782,890
Balance sheet liabilities:				
Deposits	**$ 576,424,840**	**575,917,977**	331,683,189	332,107,289
Short-term borrowings	**16,847,212**	**16,847,212**	31,808,675	31,808,675
Notes payable to Federal Home Loan Bank	**14,300,000**	**14,081,425**	5,800,000	5,936,199
Accrued interest payable	**1,759,373**	**1,759,373**	920,302	920,302
	$ 609,331,425	**608,605,987**	370,212,166	370,772,465

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Other Short-Term Instruments

For cash and due from banks (including interest-earning deposits in other financial institutions), Federal funds sold, accrued interest receivable (payable), and short-term borrowings, the carrying amount is a reasonable estimate of fair value, as such instruments are due on demand and/or reprice in a short time period.

Investments in Debt and Equity Securities
Fair values are based on quoted market prices or dealer quotes.

Loans
For certain homogeneous categories of loans, such as residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and with the same remaining maturities.

Deposits
The fair value of demand deposits, savings accounts, and interest-bearing transaction account deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Long-Term Borrowings
Rates currently available to the Company with similar terms and remaining maturities are used to estimate the fair value of existing long-term debt.

Commitments to Extend Credit and Standby Letters of Credit
The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties. The Company believes such commitments have been made on terms that are competitive in the markets in which it operates.

NOTE 15 - REGULATORY MATTERS
The Company and Banks are 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Banks must meet specific capital guidelines that involve quantitative measures of the Company's and Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and Banks' 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 Company and Banks to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Company management believes that, as of December 31, 2005, the Company and Reliance Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2005, the most recent notification from the applicable regulatory authorities categorized the Company and Reliance Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Banks must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that Company management believes have changed the Company's and Banks' risk categories.

The actual capital amounts and ratios for the Company, Reliance Bank, and Reliance Bank of Godfrey (Godfrey, only for 2004) at December 31, 2005 and 2004 are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in thousands of dollars)					
2005:						
Total capital (to risk-weighted assets)						
Consolidated	**$ 97,653**	**18.03%**	**$ 43,326**	**≥8.0%**	**$ 54,158**	**≥10.0%**
Reliance Bank	**62,982**	**11.75%**	**42,892**	**≥8.0%**	**53,615**	**≥10.0%**
Tier 1 capital (to risk-weighted assets)						
Consolidated	**$ 92,440**	**17.07%**	**$ 21,663**	**≥4.0%**	**$ 32,495**	**≥6.0%**
Reliance Bank	**57,769**	**10.77%**	**21,526**	**≥4.0%**	**32,169**	**≥6.0%**
Tier 1 capital (to average assets)						
Consolidated	**$ 92,440**	**13.28%**	**$ 27,847**	**≥4.0%**	**$ 34,809**	**≥5.0%**
Reliance Bank	**57,769**	**8.34%**	**27,701**	**≥4.0%**	**34,627**	**≥5.0%**
2004:						
Total capital (to risk-weighted assets)						
Consolidated	$ 75,173	21.81%	$ 27,575	≥8.0%	$ 34,468	≥10.0%
Reliance Bank	54,334	17.14%	25,366	≥8.0%	31,707	≥10.0%
Godfrey	4,356	16.29%	2,140	≥8.0%	2,675	≥10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 72,061	20.91%	$ 13,787	≥4.0%	$ 20,681	≥6.0%
Reliance Bank	51,531	16.25%	12,683	≥4.0%	19,024	≥6.0%
Godfrey	4,046	15.13%	1,070	≥4.0%	1,605	≥6.0%
Tier 1 capital (to average assets)						
Consolidated	$ 72,061	16.39%	$ 17,586	≥4.0%	$ 21,982	≥5.0%
Reliance Bank	51,531	12.89%	15,996	≥4.0%	19,995	≥5.0%
Godfrey	4,047	10.46%	1,547	≥4.0%	1,933	≥5.0%

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Directors
Reliance Bancshares, Inc.:

We have audited the accompanying consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cummings, Ristau & Associates, P.C.

February 28, 2007
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2006 and 2005

ASSETS		2006	2005
Cash and due from banks (note 2)	$	7,975,924	4,671,958
Interest-earning deposits in other financial institutions		498,257	188,136
Federal funds sold		—	11,110,000
Investments in available-for-sale debt and equity securities, at fair value (note 3)		191,866,300	189,779,079
Loans (notes 4 and 9)		667,701,639	472,805,329
Less - Deferred loan fees/costs		(282,711)	(190,386)
Reserve for possible loan losses		(7,101,031)	(5,213,032)
Net loans		660,317,897	467,401,911
Bank premises and equipment, net (note 5)		30,960,372	21,974,630
Accrued interest receivable		4,412,330	3,499,425
Identifiable intangible assets, net of accumulated amortization of $58,365 and $42,077 at December 31, 2006 and 2005, respectively		185,954	202,242
Goodwill		1,149,192	1,149,192
Other assets (note 7)		3,432,983	2,485,846
	$	900,799,209	702,462,419

LIABILITIES AND STOCKHOLDERS' EQUITY		2006	2005
Non-interest-bearing deposits	$	47,341,090	40,989,777
Interest-bearing deposits (note 6)		631,255,915	535,435,063
Total deposits		678,597,005	576,424,840
Short-term borrowings (note 8)		70,462,521	16,847,212
Notes payable to Federal Home Loan Bank (note 9)		24,300,000	14,300,000
Accrued interest payable		2,739,142	1,759,373
Other liabilities		1,203,949	914,987
Total liabilities		777,302,617	610,246,412
Commitments and contingencies (notes 13 and 14)			
Stockholders' equity (notes 11, 12, and 15):			
Preferred stock, no par value; 2,000,000 shares authorized, 8,488 shares issued at December 31, 2005		—	64,369
Common stock, $0.25 par value; 25,000,000 shares authorized, 19,571,248 and 18,233,128 shares issued and outstanding at December 31, 2006 and 2005, respectively		4,892,812	4,558,282
Surplus		109,896,794	94,439,615
Subscriptions receivable		—	(11,122,068)
Additional paid in capital – stock options		145,513	—
Retained earnings		8,867,359	5,851,094
Accumulated other comprehensive income – net unrealized holding losses on available-for-sale debt securities		(305,886)	(1,575,285)
Total stockholders' equity		123,496,592	92,216,007
	$	900,799,209	702,462,419

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2006 and 2005

	2006	2005
Interest income:		
Interest and fees on loans (note 4)	$ 38,812,553	25,184,572
Interest on debt and equity securities:		
Taxable	7,777,888	4,873,530
Exempt from Federal income taxes	1,116,965	598,869
Interest on short-term investments	316,865	636,223
Total interest income	48,024,271	31,293,194
Interest expense:		
Interest on deposits (note 6)	24,190,019	14,191,299
Interest on short-term borrowings (note 8)	1,320,341	468,319
Interest on notes payable to Federal Home Loan Bank (note 9)	716,806	575,906
Total interest expense	26,227,166	15,235,524
Net interest income	21,797,105	16,057,670
Provision for possible loan losses (note 4)	2,200,000	2,332,878
Net interest income after provision for possible loan losses	19,597,105	13,724,792
Noninterest income:		
Service charges on deposit accounts	379,242	277,688
Net gains (losses) on sale of debt securities (note 3)	13,586	(103,486)
Other noninterest income (note 5)	854,340	336,491
Total noninterest income	1,247,168	510,693
Noninterest expense:		
Salaries and employee benefits (note 10)	10,079,601	6,736,287
Occupancy and equipment expense (note 5)	2,460,742	1,408,788
Data processing	1,074,189	757,499
Advertising	606,943	359,303
Postage, printing and supplies	501,353	267,910
Professional fees	266,740	235,646
Amortization of intangible assets	16,288	16,288
Other noninterest expenses	1,599,399	1,667,790
Total noninterest expense	16,605,255	11,449,511
Income before applicable income taxes	4,239,018	2,785,974
Applicable income tax expense (note 7)	1,222,753	862,943
Net income	$ 3,016,265	1,923,031

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2006 and 2005

	2006	2005
Net income	$ 3,016,265	1,923,031
Other comprehensive income (loss) before tax:		
Net unrealized gains (losses) on available-for-sale securities	1,936,918	(2,153,225)
Reclassification adjustment for losses (gains) included in net income	(13,586)	103,486
Other comprehensive income (loss) before tax	1,923,332	(2,049,739)
Income tax related to items of other comprehensive income (loss)	653,933	(696,911)
Other comprehensive income (loss), net of tax	1,269,399	(1,352,828)
Total comprehensive income	$ 4,285,664	570,203

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2006 and 2005

		Preferred stock	Common stock	Surplus	Additional paid in capital - stock options	Subscriptions receivable	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total stock-holders' equity
Balance at December 31, 2004	$	—	3,739,211	65,761,317	—	—	3,928,063	—	(222,457)	73,206,134
Net income		—	—	—	—	—	1,923,031	—	—	1,923,031
Subscriptions received for 1,170,744 shares of common stock		—	292,686	10,829,382	—	(11,122,068)	—	—	—	—
Other activity (note 11)		64,369	526,385	17,848,916	—	—	—	—	—	18,439,670
Change in valuation of available -for-sale securities, net of related tax effect		—	—	—	—	—	—	—	(1,352,828)	(1,352,828)
Balance at December 31, 2005		64,369	4,558,282	94,439,615	—	(11,122,068)	5,851,094	—	(1,575,285)	92,216,007
Net income		—	—	—	—	—	3,016,265	—	—	3,016,265
Payments received for subscriptions receivable		—	—	—	—	11,122,068	—	—	—	11,122,068
Other activity (note 11)		(64,369)	334,530	15,457,179	145,513	—	—	—	—	15,872,853
Change in valuation of available-for-sale securities, net of related tax effect		—	—	—	—	—	—	—	1,269,399	1,269,399
Balance at December 31, 2006	$	—	4,892,812	109,896,794	145,513	—	8,867,359	—	(305,886)	123,496,592

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2006 and 2005

		2006	2005
Cash flows from operating activities:			
Net income	$	3,016,265	1,923,031
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		1,044,100	1,213,112
Provision for possible loan losses		2,200,000	2,332,878
Capitalized interest expense on construction		(310,760)	(79,505)
Deferred income tax benefit		(682,337)	(438,840)
Net losses (gains) on sale of debt and equity securities		(13,586)	103,486
Stock option compensation cost		145,513	—
Common stock awarded to directors		13,800	—
Increase in accrued interest receivable		(912,905)	(1,338,412)
Increase in accrued interest payable		979,769	839,071
Other operating activities, net		(160,081)	715,912
Net cash provided by operating activities		5,319,778	5,270,733
Cash flows from investing activities:			
Purchase of available-for-sale debt and equity securities		(59,313,559)	(98,811,739)
Proceeds from maturities and calls of available-for-sale debt securities		50,955,433	23,620,386
Proceeds from sales of available-for-sale debt securities		8,411,900	4,408,291
Net increase in loans		(195,967,413)	(173,136,694)
Proceeds from sale of other real estate owned		412,706	87,042
Purchase of bank premises and equipment		(9,906,872)	(7,862,483)
Net cash used in investing activities		(205,407,805)	(251,695,197)
Cash flows from financing activities:			
Net increase in deposits		102,172,165	244,741,651
Net increase in short-term borrowings		53,615,309	(14,961,463)
Proceeds from notes payable to Federal Home Loan Bank		10,000,000	10,000,000
Payments of notes payable to Federal Home Loan Bank		—	(1,500,000)
Issuance of common stock		26,717,804	18,540,592
Issuance of preferred stock		155,984	64,369
Purchase of treasury stock		(154,243)	(198,846)
Stock options exercised		107,125	34,000
Payment of stock issuance costs		(22,030)	(32,118)
Net cash provided by financing activities		192,592,114	256,688,185
Net increase (decrease) in cash and cash equivalents		(7,495,913)	10,263,721
Cash and cash equivalents at beginning of period		15,970,094	5,706,373
Cash and cash equivalents at end of period	$	8,474,181	15,970,094
Supplemental information:			
Cash paid for:			
Interest	$	25,558,157	14,475,958
Income taxes		2,145,461	1,347,000
Noncash transactions:			
Transfers to other real estate in settlement of loans		851,427	1,207,485
Loans made to facilitate the sale of other real estate		—	603,000
Capitalized interest expense		310,760	79,505
Stock option compensation cost		145,513	—
Common stock awarded to directors		13,800	—
Stock issued for operating lease payments		30,968	31,673

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida through its wholly-owned subsidiaries, Reliance Bank and Reliance Bank, F.S.B. (hereinafter referred to as "the Banks"). Effective October 31, 2005, Reliance Bank of Godfrey (which was acquired by the Company on May 31, 2003) was merged into Reliance Bank. On January 17, 2006, the Company opened a new Federal Savings Bank, Reliance Bank, F.S.B. in Ft. Myers, Florida. Prior to this opening, Reliance Bank had maintained a loan production office in Ft. Myers, Florida and, with the opening of the Federal Savings Bank, loans totaling approximately $14 million that were originated in the Reliance Bank loan production office were transferred to Reliance Bank, F.S.B.

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and southwestern Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses, valuation of other real estate owned and stock options, and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

Following is a description of the more significant of the accounting policies of the Company and Banks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners.

Cash Flow Information

For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Investments in Debt and Equity Securities

The Banks classify their debt securities into one of three categories at the time of purchase: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near-term. Held-to-maturity securities are those debt securities which the Banks have the ability and intent to hold until maturity. All other debt securities not included in trading or held-to-maturity, and all equity securities, are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities (for which no such securities were so designated at December 31, 2006 and 2005) would be recorded at amortized cost, adjusted for the amortization of premiums or accretion of discounts. Holding gains and losses on trading securities (for which no securities were so designated at December 31, 2006 and 2005) would be included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income in stockholders' equity until realized. Transfers of securities between categories would be recorded at fair value at the date of transfer. Unrealized holding gains and losses would be recognized in earnings for transfers into the trading category.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Amortization of premiums and accretion of discounts for mortgage-backed securities are recognized as interest income using the interest method, which considers the timing and amount of prepayments of the underlying mortgages in estimating future cash flows for individual mortgage-backed securities. For other debt securities in the available-for-sale and held-to-maturity categories, premiums and discounts are amortized or accreted over the lives of the respective securities, with consideration of historical and estimated prepayment rates, as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses from the sale of any securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary will result in a charge to earnings and the establishment of a new cost basis for the security. To determine whether an impairment is other-than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reason for impairment, the severity and duration of the impairment, and changes in value after the balance sheet date.

Loans

Interest on loans is credited to income based on the principal amount outstanding. Loans are considered delinquent whenever interest and/or principal payments have not been received when due. The recognition of interest income is discontinued when, in management's judgment, the interest will not be collectible in the normal course of business. Subsequent payments received on such loans are applied to principal if any doubt exists as to the collectibility of such principal; otherwise, such receipts are recorded as interest income. Loans are returned to accrual status when management believes full collectibility of principal and interest is expected. The Banks consider a loan impaired when all amounts due - both principal and interest - will not be collected in accordance with the contractual terms of the loan agreement. When measuring impairment for such loans, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan; however, the Banks would measure impairment based on the fair value of the collateral, if foreclosure was probable.

Loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the lives of the related loans using the interest method.

The reserve for possible loan losses is available to absorb loan charge-offs. The reserve is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Loans are partially or fully charged off when Bank management believes such amounts are uncollectible, either through collateral liquidation or cash payment. The provision charged to operations each year is that amount which management believes is sufficient to bring the balance of the reserve to a level adequate to absorb potential loan losses, based on their knowledge and evaluation of past losses, the current loan portfolio, and the current economic environment in which the borrowers of the Banks operate.

Management believes the reserve for possible loan losses is adequate to absorb losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the reserve may be necessary based on changes in economic conditions. Additionally, various regulatory agencies, as an integral part of the examination process, periodically review the Banks' reserves for possible loan losses. Such agencies may require the Banks to add to the reserve for possible loan losses based on their judgments and interpretations about information available to them at the time of their examinations.

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation of premises and equipment are computed over the expected lives of the assets, using the straight-line method. Estimated useful lives are 40 years for bank buildings and three to ten years for furniture, fixtures, and equipment. Expenditures for major renewals and betterments of bank premises and equipment (including related interest expense, which was $310,760 and $79,505 for the years ended December 31, 2006 and 2005, respectively) are capitalized, and those for maintenance and repairs are expensed as incurred.

Certain long-lived assets, such as bank premises and equipment, and certain identifiable intangible assets must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In such situations, recoverability of assets to be held and used would be measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of would be reported at the lower of the carrying amount or estimated fair value, less estimated selling costs.

Other Real Estate Owned

Other real estate owned represents property acquired through foreclosure, or deeded to the Banks in lieu of foreclosure, for loans on which borrowers have defaulted as to payment of principal and interest. Properties acquired are initially recorded at the lower of the Banks' carrying amount or fair value (less estimated selling costs), and carried in other assets in the consolidated balance sheets. At December 31, 2006 and 2005, the balance of other real estate owned was $825,000 and $381,332, respectively. Valuations are performed periodically by management, and an allowance for losses is established by means of a charge to noninterest expense if the carrying value of a property exceeded its fair value, less estimated selling costs. Subsequent increases in the fair value (less estimated selling costs) are recorded through a reversal of the allowance, but not below zero. Costs related to development and improvement of property are capitalized, while costs relating to holding the property are expensed.

Intangible Assets

Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at December 31, 2006 will be $16,288 for each of the next five years, and $104,514 thereafter.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life.

Securities Sold Under Agreements to Repurchase

The Banks enter into sales of securities under agreements to repurchase at specified future dates. Such repurchase agreements are considered financing arrangements and, accordingly, the obligation to repurchase assets sold is reflected as a liability in the consolidated balance sheets. Repurchase agreements are collateralized by debt securities which are under the control of the Banks.

Income Taxes

The Company and Banks file consolidated Federal and state income tax returns. Applicable income tax expense is computed based on reported income and expenses, adjusted for permanent differences between reported and taxable income. The Company and Banks use the asset and liability method of accounting for income taxes, in which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period which includes the enactment date.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an Interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FASB Interpretation No. 48 (FIN 48) clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. The Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has evaluated the requirements of FIN 48 and determined that FIN 48 will not have a material impact on its financial condition and results of operations for 2007.

Stock Issuance Costs
The Company incurs certain costs associated with the issuance of its common stock. Such costs were recorded as a reduction of equity capital.

Stock Options
In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (FAS 123). This standard defined a fair value-based method of accounting for an employee stock option or similar equity instrument. This statement gave entities a choice of recognizing related compensation expense by adopting the fair value method or to continue to measure compensation using the intrinsic value approach under Accounting Principles Board Opinion No. 25 (APB 25), the former standard. If the former method for measurement was elected, FAS 123 required supplemental disclosure to show the effects of using the new measurement criteria. FAS 123 was effective from 1996 through 2005; however, the Company continued using the intrinsic value measurement method prescribed by APB 25 through December 31, 2005 and, accordingly, the pronouncement had no affect on the Company's financial position or results of operations for the year ended December 31, 2005 or for any previous period.

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (FAS 123R), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. Such costs are recognized over the period of service to which such compensation relates (generally the vesting period), and are measured based on the fair value of the equity or liability instruments issued. FAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans, focusing primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The revised statement does not change the accounting guidance for share-based payment transactions with parties other than employees.

Under FAS 123R, the grant date value of employee share options and similar instruments is estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

FAS 123R has replaced FAS 123, and supercedes APB 25. FAS 123 became effective beginning on January 1, 2006, and will apply to all awards granted on or after that date, and to awards modified, repurchased, or cancelled on or after that date. All awards granted prior to the effective date will continue to be accounted for under the guidance in effect prior to the effective date of FAS 123R.

Financial Instruments
For purposes of information included in note 14 regarding disclosures about financial instruments, financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract that both (a) imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (b) conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity.

Reclassifications

Certain reclassifications have been made to the 2005 financial statement amounts to conform to the 2006 presentation.

NOTE 2 - CASH AND DUE FROM BANKS

The Banks are required to maintain certain daily reserve balances of cash and due from banks in accordance with regulatory requirements. The reserve balances maintained in accordance with such requirements at December 31, 2006 and 2005 were approximately $2,046,000 and $1,268,000, respectively.

NOTE 3 - INVESTMENTS IN DEBT AND EQUITY SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair values of the Banks' available-for-sale debt and equity securities at December 31, 2006 and 2005 are as follows:

2006	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 110,381,507	390,216	(820,594)	109,951,129
Obligations of state and political subdivisions	33,137,041	487,835	(97,892)	33,526,984
Other debt securities	7,319,891	23,263	(62,499)	7,280,655
Mortgage-backed securities	37,994,505	100,917	(484,690)	37,610,732
Equity securities	3,496,800	—	—	3,496,800
	$ 192,329,744	1,002,231	(1,465,675)	191,866,300

2005	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 128,413,428	15,967	(1,454,715)	126,974,680
Obligations of state and political subdivisions	21,215,751	52,027	(277,589)	20,990,189
Other debt securities	5,621,094	10,000	(86,007)	5,545,087
Mortgage-backed securities	34,980,002	55,816	(703,995)	34,331,823
Equity securities	1,937,300	—	—	1,937,300
	$ 192,167,575	133,810	(2,522,306)	189,779,079

Included in available-for-sale securities at December 31, 2006 and 2005 are equity securities representing common stock of the Federal Home Loan Bank of Des Moines and the Federal Home Loan Bank of Atlanta, which are administered by the Federal Housing Finance Board. As members of the Federal Home Loan Bank System, the Banks must maintain minimum investments in the capital stock of their respective district Federal Home Loan Banks. The stock is recorded at cost, which represents redemption value. Reliance Bank's president and chief operating officer also serves on the Board of Directors of the Federal Home Loan Bank of Des Moines.

The amortized cost and estimated fair values of debt and equity securities classified as available-for-sale at December 31, 2006, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without prepayment penalties.

	Amortized cost	Estimated fair value
Due one year or less	$ 24,982,325	24,817,204
Due one year through five years	82,579,772	82,084,632
Due five years through ten years	25,714,133	25,925,775
Due after ten years	17,562,209	17,931,157
Mortgage-backed securities	37,994,505	37,610,732
Equity securities	3,496,800	3,496,800
	$ 192,329,744	191,866,300

Provided below is a summary of available-for sale securities which were in an unrealized loss position at December 31, 2006. The obligations of U.S. Government agencies and mortgage-backed securities with unrealized losses at December 31, 2006 are primarily issued from and guaranteed by the Federal Home Loan Bank, Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. Obligations of states and political subdivisions in an unrealized loss position are primarily comprised of highly-rated municipal bonds. The Banks have the ability and intent to hold these securities until such time as the value recovers or the securities mature. Further, the Banks believes that the impairment in value is attributable to changes in market interest rates and not the credit quality of the issuers.

	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
Obligations of U.S. Government agencies and corporations	$ 13,137,483	24,148	65,254,701	796,446	78,392,184	820,594
Obligations of states and political subdivisions	—	—	8,546,198	97,892	8,546,198	97,892
Other debt securities	1,234,325	1,140	2,831,821	61,359	4,066,146	62,499
Mortgage-backed securities	2,921,956	6,936	23,253,487	477,754	26,175,443	484,690
	$ 17,293,764	32,224	99,886,207	1,433,451	117,179,971	1,465,675

The carrying value of debt securities pledged to secure public funds, securities sold under repurchase agreements, and for other purposes amounted to approximately $150,797,000 and $115,715,000 at December 31, 2006 and 2005, respectively.

During 2006 and 2005, certain available-for-sale securities were sold for proceeds totaling $8,411,900 and $4,408,291, respectively, resulting in gross gains $30,810 and $3,854, respectively, and gross losses of $17,224 and $107,340, respectively.

NOTE 4 - LOANS

The composition of the loan portfolio at December 31, 2006 and 2005 is as follows:

	2006	2005
Commercial:		
Real estate	$ 394,469,137	254,262,184
Other	53,152,775	66,790,693
Real estate:		
Construction	108,408,270	56,525,290
Residential	105,094,409	88,949,636
Consumer	6,541,351	6,196,062
Overdrafts	35,697	81,464
	$ 667,701,639	472,805,329

The Banks grant commercial, industrial, residential, and consumer loans throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida. The Banks do not have any particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio is concentrated in and secured by real estate in the St. Louis, Missouri metropolitan area and southwestern Florida. The ability of the Banks' borrowers to honor their contractual obligations is dependent upon the local economies and their effect on the real estate market.

The aggregate amount of loans to executive officers and directors and loans made for the benefit of executive officers and directors was $39,775,642 and $34,761,821 at December 31, 2006 and 2005, respectively. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility. A summary of activity for loans to executive officers and directors for the year ended December 31, 2006 is as follows:

Balance, December 31, 2005	$ 34,761,821
New loans made	15,707,600
Payments received	(13,908,297)
Other changes	3,214,518
Balance, December 31, 2006	$ 39,775,642

Other changes represent changes in the composition of executive officers and directors and their related interests.

At December 31, 2006 and 2005, the Banks had a total of $5,082,784 and $3,050,351, respectively, of loans that were considered impaired, all of which have had the accrual of interest discontinued. At December 31, 2006 and 2005, $126,488 and $617,191, respectively, of such impaired loans had no specific allocation of the reserve for possible loan losses allocated thereto. The Banks had allocated $374,644 and $239,563 of the reserve for possible loan losses for all other impaired loans at December 31, 2006 and 2005, respectively. Had these loans continued to accrue interest, the Banks would have earned $499,442 and $216,477 for the years ended December 31, 2006 and 2005, respectively, rather than the $321,755 and $74,533, respectively, that the Banks earned thereon on a cash basis. The average balance of impaired loans for the years ended December 31, 2006 and 2005 was $3,470,251 and $2,969,402, respectively. Loans 90 days or more delinquent and still accruing interest totaled approximately $65,000 and $24,000 at December 31, 2006 and 2005, respectively.

Transactions in the reserve for possible loan losses for the years ended December 31, 2006 and 2005 are summarized as follows:

		2006	2005
Balance, January 1	$	5,213,032	3,112,382
Provision charged to operations		2,200,000	2,332,878
Charge-offs		(333,784)	(259,935)
Recoveries of loans previously charged off		21,783	27,707
Balance, December 31	$	7,101,031	5,213,032

NOTE 5 - BANK PREMISES AND EQUIPMENT

A summary of Bank premises and equipment at December 31, 2006 and 2005 is as follows:

		2006	2005
Land	$	6,828,376	5,161,155
Buildings and improvements		15,560,753	13,705,948
Furniture, fixtures, and equipment		5,517,637	3,477,421
Construction in progress		6,470,639	1,913,662
		34,377,405	24,258,186
Less accumulated depreciation		3,417,033	2,283,556
	$	30,960,372	21,974,630

Amounts charged to noninterest expense for depreciation aggregated $1,231,890 and $790,846 for the years ended December 31, 2006 and 2005, respectively.

At December 31, 2006, Reliance Bank has two new branch locations under construction in the St. Louis metropolitan area, with a branch of Reliance Bank, F.S.B. under construction, and two additional branch locations planned in southwestern Florida. Total construction costs, including land acquisition, are estimated to be approximately $4,393,784, all of which are expected to be completed in 2007 or 2008. Certain of the branch construction contracts have or will involve contracts for construction with a general contracting company that is majority-owned by one of the Company's directors. All construction contracts entered into by the Company have been made under formal sealed bid processes. During the years ended December 31, 2006 and 2005, the Company paid $3,476,968 and $1,701,803, respectively, to the construction company owned by the Company director for construction costs incurred. Additionally, the main banking facility of Reliance Bank, F.S.B. is currently being constructed on land in Ft. Myers, Florida purchased from two of the Company's directors for $854,311.

Reliance Bank leases the land on which two of its branch facilities have been built under noncancelable operating lease agreements that expire in 2024, with options to extend the leases for an additional 30 years. A portion of the payments under these operating leases is payable in Company common stock. Additionally, in September 2005, the Company also purchased a building that now serves as the Company's headquarters, which is located on land subject to a lease, which has been assigned to the Company, and expires in 2020. Minimum rental commitments and the total common stock committed for payments under all noncancelable operating lease agreements at December 31, 2006, for each of the next five years, and in the aggregate, are as follows:

	Minimum lease payments	Portion payable in stock
Year ending December 31:		
2007	$ 479,273	30,000
2008	430,788	30,000
2009	406,659	30,000
2010	387,058	30,000
2011	393,475	30,000
After 2011	5,701,455	370,417
Total minimum payments required	$ 7,798,708	520,417

The Company has also leased temporary facilities for its various branches during the construction of the applicable new branch facilities. Total rent paid by the Company for 2006 and 2005 was $411,344 and $253,110, respectively.

Reliance Bank leases out a portion of certain of its banking facilities to unaffiliated companies under noncancelable leases that expire at various dates through 2010. Minimum rental income under these noncancelable leases at December 31, 2006, for each of the next four years and in the aggregate, is as follows:

Year ending December 31:	
2007	$ 39,039
2008	39,039
2009	39,039
2010	3,253
Total minimum payments required	$ 120,370

The Company also leased its proposed new headquarters building to the former tenant for a short period of time in 2005, after the Company's purchase of the building. Total rental income recorded by the Company and Banks in 2006 and 2005 totaled $30,925 and $94,833, respectively.

NOTE 6 - DEPOSITS

A summary of interest-bearing deposits at December 31, 2006 and 2005 is as follows:

	2006	2005
Interest-bearing transaction accounts	$ 127,130,026	35,158,013
Savings	67,304,076	159,485,364
Other time deposits:		
Less than $100,000	264,812,549	224,777,669
$100,000 and over	172,009,264	116,014,017
	$ 631,255,915	535,435,063

Deposits of executive officers, directors and their related interests at December 31, 2006 and 2005 totaled $4,254,853 and $5,207,927, respectively.

Interest expense on deposits for the years ended December 31, 2006 and 2005 is summarized as follows:

		2006	2005
Interest-bearing transaction accounts	$	2,930,249	942,053
Savings		3,880,303	2,958,133
Other time deposits:			
Less than $100,000		11,304,228	6,852,307
$100,000 and over		6,075,239	3,438,806
	$	24,190,019	14,191,299

Following are the maturities of time deposits for each of the next five years and in the aggregate at December 31, 2006:

Year ending December 31:	
2007	$ 369,513,578
2008	35,972,002
2009	14,886,700
2010	10,826,941
2011	5,622,592
	$ 436,821,813

NOTE 7 - INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2006 and 2005, respectively, are as follows:

	2006	2005
Current:		
Federal income taxes	$ 1,786,165	1,173,701
State income taxes	118,925	128,082
Deferred income taxes	(682,337)	(438,840)
	$ 1,222,753	862,943

A reconciliation of expected income tax expense computed by applying the Federal statutory rate of 34% to income before applicable income tax expense for the years ended December 31, 2006 and 2005, respectively, is as follows:

	2006	2005
Expected statutory Federal income tax expense	$ 1,441,266	947,231
State income taxes, net of Federal benefit	78,490	84,534
Tax exempt interest and dividend income	(333,249)	(196,660)
Other, net	36,246	27,838
	$ 1,222,753	862,943

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2006 and 2005 are presented below:

	2006	2005
Deferred tax assets:		
Amortization of start-up costs for tax purposes	$ 50,556	60,055
Reserve for possible loan losses	2,626,251	1,926,227
Operating loss carryforward of purchased subsidiary	266,603	295,392
Stock option expense	53,927	—
Unrealized net holding losses on available-for-sale securities	157,558	813,211
Total deferred tax assets	3,154,895	3,094,885
Deferred tax liabilities:		
Bank premises and equipment	(1,113,319)	(984,397)
Accrual basis of accounting used for financial reporting purposes and cash basis of accounting used for tax reporting purposes	—	(77,749)
Purchase adjustments	(72,188)	(109,583)
Other, net	(153,958)	(134,410)
Total deferred tax liabilities	(1,339,465)	(1,306,139)
Net deferred tax assets	$ 1,815,430	1,788,746

The Company is required to provide a valuation reserve on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation reserve at December 31, 2006 and 2005, due to management's belief that future income levels will be sufficient to realize the net deferred tax assets recorded. In connection with the acquisition of The Bank of Godfrey on May 31, 2003, the Company assumed operating loss carryforwards for tax reporting purposes totaling $1,038,149, and established deferred tax assets at acquisition of $352,971. At December 31, 2006, the operating loss carryforward for tax reporting purposes was $784,127, which will expire if not used by 2022.

NOTE 8 - SHORT-TERM BORROWINGS

Following is a summary of short-term borrowings at December 31, 2006 and 2005:

	2006	2005
Funds purchased	$ 41,731,690	2,433,561
Securities sold under repurchase agreements	28,730,831	14,413,651
	$ 70,462,521	16,847,212

Funds are purchased from the Federal Home Loan Bank of Des Moines and other financial institutions on a daily basis, when needed for liquidity. The Banks also sell securities under agreements to repurchase. These borrowings are collateralized by debt securities consisting of U.S. Government corporations or agencies with a net carrying value of approximately $76,084,000 at December 31, 2006. The average balances, maximum month-end amounts outstanding, average rates paid during the year, and average rates at year end for funds purchased and securities sold under repurchase agreements as of and for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Average balance	$ 26,474,859	17,155,128
Maximum amount outstanding at any month-end	74,612,402	43,537,515
Average rate paid during the year	4.99%	2.73%
Average rate at end of year	5.10%	3.78%

NOTE 9 – NOTES PAYABLE TO FEDERAL HOME LOAN BANK

At December 31, 2006, Reliance Bank had fixed rate advances outstanding with the Federal Home Loan Bank of Des Moines, maturing as follows:

	Amount	Weighted average rate
Due in 2010	$ 10,000,000	4.43%
Due in 2011	4,300,000	4.86%
Due in 2016	10,000,000	4.19%
	$ 24,300,000	

At December 31, 2006, Reliance Bank maintained a line of credit in the amount of $53,541,607 with the Federal Home Loan Bank of Des Moines and had availability under that line of $241,607. Federal Home Loan Bank of Des Moines advances are secured under a blanket agreement which assigns all Federal Home Loan Bank of Des Moines stock and one-to-four family mortgage and commercial real estate loans.

NOTE 10 - EMPLOYEE BENEFITS

The Company sponsors a contributory 401(k) savings plan to provide retirement benefits to eligible employees. Contributions made by the Company in 2006 and 2005 totaled $153,916 and $110,974, respectively.

NOTE 11 - CAPITAL STOCK

The Company has authorized 25,000,000 shares of common stock with a par value of $0.25 per share. At December 31, 2006, 19,571,248 shares were issued and outstanding, with 3,460,000 shares reserved for issuance under the Company's stock option programs. Holders of the Company's common stock are entitled to one vote per share on all matters submitted to a shareholder vote. Holders of the Company's common stock are entitled to receive dividends when, as and if declared by the Company's Board of Directors. In the event of liquidation of the Company, the holders of the Company's common stock are entitled to share ratably in the remaining assets after payment of all liabilities and preferred shareholders as described below.

On December 22, 2006, the Company's stockholders approved a two-for-one stock split with a concurrent reduction in par value per Class A common share from $0.50 to $0.25. All share and per share information included in these consolidated financial statements has been retroactively restated to reflect this stockholder action.

At December 31, 2005, the Company terminated its Ninth Private Placement Offering to accredited investors, in which shares of Company common stock were offered at 1.75 times the book value per share of the combined common and preferred stock (excluding any accumulated comprehensive income or loss included in stockholders' equity). In terminating the Ninth Private Placement Offering, the Company notified interested investors that subscriptions would be accepted for the purchase of common shares under the Ninth Private Placement Offering through December 31, 2005, provided that the payments were received by January 10, 2006. At December

31, 2005, the Company had subscriptions receivable totaling $11,122,068 for the purchase of 1,170,744 common shares, which were subsequently received by January 10, 2006.

The Company has authorized 2,000,000 shares of no par preferred stock, with no shares issued and outstanding at December 31, 2006. Preferred stock may be issued by the Company's Board of Directors from time to time, in series, at which time the terms of such series (par value per share, dividend rates and dates, cumulative or noncumulative, liquidation preferences, etc.) shall be fixed by the Board of Directors. On January 19, 2005, the Company's Board of Directors authorized a separate issue of nonvoting convertible preferred stock for sale to officers and employees of the Company and its subsidiaries pursuant to the 2005 Employee Stock Purchase Plan established on September 29, 2004, which originally authorized the purchase of up to 150,000 shares of Company common stock at 85% of the common stock's fair value, by officers and employees of the Company. The preferred stock was designated Series E Convertible Preferred Stock, authorized for 150,000 shares, with no par value, and was available for sale only to officers and employees of the Company and its subsidiaries, pursuant to the Company's Employee Stock Purchase Plan, at prices determined from time to time under the Employee Stock Purchase Plan. Additionally, no dividends were declared or set aside for shares of Series E Convertible Preferred Stock, except in the event that the Board of Directors of the Company would have declared a dividend payable upon the outstanding common stock of the Company, in which case, the Series E preferred shareholders would have been entitled to the same dividend as declared on the common stock, as if the preferred shares were converted to common stock prior to the dividend declaration.

In the event of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any sums shall be paid, or any assets distributed among the holders of Company common stock, the holders of Series E preferred stock would have been entitled to be paid first out of the assets of the Company available for distribution at a liquidation price of the greater of (i) $7.225 per Series E preferred share, plus all dividends payable thereon, or (ii) such amount per share that would have been payable had each such Series E preferred share been converted to common stock immediately prior to the liquidation.

The Series E Convertible Preferred Stock was convertible into the Company's common stock at a conversion rate computed by dividing $7.225 by the applicable conversion value, which is initially defined as $7.225, adjusted accordingly for certain sales of common stock at prices under $7.225. The Series E Convertible Preferred Stock was convertible at the shareholder's option at any time after January 19, 2008, and at the option of the Company's Board of Directors at any time after January 19, 2006. On December 29, 2006, the Company exercised its option to convert all 23,212 shares of Series E preferred stock to 23,212 shares of Company common stock. Subsequent purchases under the Employee Stock Purchase Plan will be for Class A common shares.

Stock Option Plans

Various stock option plans have been adopted (both incentive stock option plans and nonqualified stock option plans) under which options to purchase a total of 3,460,000 shares of Company common stock may be granted to officers, employees and directors of the Company and its subsidiary banks. All options were authorized and granted at prices approximating or exceeding the fair value of the Company's common stock at the date of grant. Various vesting schedules had been authorized for the options granted to date by the Company's Board of Directors, including certain performance measures used to determine vesting of certain options granted; however, in November 2005, the Company's Board of Directors approved the acceleration of all vesting requirements into 2005, except for nonqualified options to purchase 10,500 shares of common stock granted to the Company's directors in 2005. Options expire up to ten years from the date of grant if not exercised. For certain of the options granted, the Company's Board of Directors has the ability, at its sole discretion, to grant to key officers of the Company and Banks, the right to surrender their options held to the Company, in whole or in part, and to receive in exchange therefore, payment by the Company of an amount equal to the excess of the fair value of the shares subject to such options over the exercise price to acquire such options. Such payments may be made in cash, shares of Company common stock, or a combination thereof.

The weighted average option prices for the 2,224,200 and 2,163,200 options outstanding at December 31, 2006 and 2005, respectively, was $6.58 and $6.35, respectively. At December 31, 2006, options to purchase an additional 611,800 shares of Company common stock were available for future grants under the various plans.

Following is a summary of stock option activity for the years ended December 31, 2006 and 2005:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Balance at December 31, 2004	$ 5.17	1,129,000	$ 5.94	525,000
Granted	9.23	497,200	8.82	32,000
Forfeited	7.41	(6,000)	5.25	(6,000)
Exercised	—	—	4.25	(8,000)
Balance at December 31, 2005	6.41	1,620,200	6.14	543,000
Granted	11.63	46,000	12.09	52,000
Forfeited	9.50	(2,000)	7.69	(17,000)
Exercised	5.82	(16,000)	7.25	(2,000)
Balance at December 31, 2006	$ 6.57	1,648,200	$ 6.63	576,000

Had compensation cost been determined based on the estimated fair value of the options on the grant date for stock options awarded prior to January 1, 2006, the Company would have recorded additional compensation expense of $2,251,256 in 2005, which would have resulted in a decrease in the Company's consolidated net income for 2005 of $1,416,941.

The weighted average fair values of options granted in 2006 and 2005 was $4.25 and $2.61, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. Several assumptions have been made in arriving at the estimated fair value of the options outstanding at December 31, 2006 and 2005, including no volatility in the Company's common stock price, no dividends paid on the common stock, an expected weighted average option life of 10.00 and 8.61 years for options granted in 2006 and 2005, respectively, and a risk-free interest rate ranging from 4.00% to 5.00% in both 2006 and 2005. Any change in these assumptions could have a significant impact on the effects of determining compensation costs.

Other Activity in Stockholders' Equity

Following is a summary of other activity in the consolidated statements of stockholders' equity for the years ended December 31, 2006 and 2005:

		Preferred Stock	Common stock	Surplus	Additional paid in capital - stock options	Treasury stock	Total
2006							
Purchase of 12,316 common shares and 1,312 preferred shares for treasury	$	—	—	—	—	(154,243)	(154,243)
Issuance of 1,305,496 shares of common stock (8,316 shares from treasury)		—	324,295	15,176,817	—	94,624	15,595,736
Issuance of 14,724 shares of preferred stock (1,312 shares from treasury)		145,365	—	—	—	10,619	155,984
Stock issuance costs		—	—	(22,030)	—	—	(22,030)
Stock options exercised – 18,000 shares (4,000 shares from treasury)		—	3,500	54,625	—	49,000	107,125
Compensation cost recognized for stock options granted		—	—	—	145,513	—	145,513
Issuance of 2,528 shares as partial payment for certain operating leases		—	632	30,336	—	—	30,968
1,200 shares of common stock awarded to directors		—	300	13,500	—	—	13,800
Conversion of 23,212 preferred shares to 23,212 common shares		(209,734)	5,803	203,931	—	—	—
	$	(64,369)	334,530	15,457,179	145,513	—	15,872,853
2005							
Purchase of 20,224 common shares for treasury	$	—	—	—	—	(198,846)	(198,846)
Issuance of 2,114,430 shares of common stock (20,224 shares from treasury)		—	523,551	17,818,195	—	198,846	18,540,592
Stock issuance costs		—	—	(32,118)	—	—	(32,118)
Stock options exercised – 8,000 shares		—	2,000	32,000	—	—	34,000
Issuance of 8,488 shares of preferred stock		64,369	—	—	—	—	64,369
Issuance of 3,334 shares as partial payment for certain operating leases		—	834	30,839	—	—	31,673
	$	64,369	526,385	17,848,916	—	—	18,439,670

NOTE 12 - PARENT COMPANY FINANCIAL INFORMATION

Subsidiary bank dividends are the principal source of funds for the payment of dividends by the Company to its stockholders and for debt servicing. The Banks are subject to regulation by regulatory authorities that require the maintenance of minimum capital requirements. As of December 31, 2006, there are no regulatory restrictions other than the maintenance of minimum capital standards (as discussed in Note 15), as to the amount of dividends the Banks may pay.

Following are condensed balance sheets as of December 31, 2006 and 2005, and the related condensed schedules of income and cash flows for the years then ended of the Company (parent company only):

	2006	2005
Condensed Balance Sheets		
Assets:		
Cash	$ 18,949,534	30,666,063
Investment in subsidiary banks	103,074,402	57,522,637
Premises and equipment	766,866	3,644,206
Other assets	720,790	450,958
Total assets	$ 123,511,592	92,283,864
Liabilities – accrued expenses payable	$ 15,000	67,857
Total stockholders' equity	123,496,592	92,216,007
Total liabilities and stockholders' equity	$ 123,511,592	92,283,864
Condensed Schedules of Income		
Revenue:		
Rental income	$ —	62,500
Interest on interest-earning deposits in subsidiary banks	850,650	528,076
Other interest income	5,738	—
Total revenues	856,388	590,576
Expenses:		
Salaries and employee benefits	482,473	225,160
Professional fees	59,456	83,988
Other expenses	37,474	276,902
Total expenses	579,403	586,050
Income before income tax and equity equity in undistributed income of subsidiary banks	276,985	4,526
Income tax expense	111,260	1,539
	165,725	2,987
Equity in undistributed income of subsidiary banks	2,850,540	1,920,044
Net income	$ 3,016,265	1,923,031

Condensed Schedules of Cash Flows	2006	2005
Cash flows from operating activities:		
Net income	$ 3,016,265	1,923,031
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary banks	(2,850,540)	(1,920,044)
Depreciation	—	30,000
Capitalized interest expense	(75,683)	—
Stock option compensation cost	145,513	—
Common stock awarded to directors	13,800	—
Other, net	(354,361)	450,636
Net cash provided by (used in) operating activities	(105,006)	483,623
Cash flows from investing activities:		
Capital injections into subsidiary banks	(40,000,000)	—
Purchase of premises and equipment	(1,092,441)	(3,632,397)
Sale of premise and equipment to subsidiary	2,676,278	—
Net cash used in investing activities	(38,416,163)	(3,632,397)
Cash flows from financing activities:		
Purchase of treasury stock	(154,243)	(198,846)
Sale of common stock	26,717,804	18,540,592
Sale of preferred stock	155,984	64,369
Stock options exercised	107,125	34,000
Payment of stock issuance costs	(22,030)	(32,118)
Net cash provided by financing activities	26,804,640	18,407,997
Net increase (decrease) in cash	(11,716,529)	15,259,223
Cash at beginning of year	30,666,063	15,406,840
Cash at end of year	$ 18,949,534	30,666,063

NOTE 13 - LITIGATION

During the normal course of business, various legal claims have arisen which, in the opinion of management, will not result in any material liability to the Company.

NOTE 14 - DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at December 31, 2006 and 2005:

	2006	2005
Financial instruments for which contractual amounts represent:		
Commitments to extend credit	$ 148,143,624	58,445,987
Standby letters of credit	3,244,721	3,344,394
	$ 151,388,345	61,790,381

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. Of the total commitments to extend credit at December 31, 2006, $51,191,204 were made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party, for which historically draw requests have not been made thereon. Such guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Following is a summary of the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2006 and 2005:

	2006		2005	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Balance sheet assets:				
Cash and due from banks	$ 8,474,181	8,474,181	4,860,094	4,860,094
Federal funds sold	—	—	11,110,000	11,110,000
Investments in debt and equity securities	191,866,300	191,866,300	189,779,079	189,779,079
Loans, net	660,317,897	657,244,248	467,401,911	464,092,285
Accrued interest receivable	4,412,330	4,412,330	3,499,425	3,499,425
	$ 865,070,708	861,997,059	676,650,509	673,340,883
Balance sheet liabilities:				
Deposits	$ 678,597,005	677,989,884	576,424,840	575,917,977
Short-term borrowings	70,462,521	70,462,521	16,847,212	16,847,212
Notes payable to Federal Home Loan Bank	24,300,000	23,824,903	14,300,000	14,081,425
Accrued interest payable	2,739,142	2,739,142	1,759,373	1,759,373
	$ 776,098,668	775,016,450	609,331,425	608,605,987

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Other Short-Term Instruments

For cash and due from banks (including interest-earning deposits in other financial institutions), Federal funds sold, accrued interest receivable (payable), and short-term borrowings, the carrying amount is a reasonable estimate of fair value, as such instruments are due on demand and/or reprice in a short time period.

Investments in Debt and Equity Securities
Fair values are based on quoted market prices or dealer quotes.

Loans
For certain homogeneous categories of loans, such as residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and with the same remaining maturities.

Deposits
The fair value of demand deposits, savings accounts, and interest-bearing transaction account deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Long-Term Borrowings
Rates currently available to the Company with similar terms and remaining maturities are used to estimate the fair value of existing long-term debt.

Commitments to Extend Credit and Standby Letters of Credit
The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties. The Company believes such commitments have been made on terms that are competitive in the markets in which it operates.

NOTE 15 - REGULATORY MATTERS
The Company and Banks are 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Banks must meet specific capital guidelines that involve quantitative measures of the Company's and Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and Banks' 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 Company and Banks to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Reliance Bank, F.S.B. is also required to maintain capital of 8% of average assets for the first three years of its existence. Company management believes that, as of December 31, 2006, the Company and Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2006, the most recent notification from the applicable regulatory authorities categorized the Banks as well capitalized banks under the regulatory framework for prompt corrective action. To be categorized as a well capitalized bank, the Banks must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that Company management believes have changed the Banks' risk categories.

The actual capital amounts and ratios for the Company, Reliance Bank, and Reliance Bank, F.S.B. at December 31, 2006 and 2005 are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be a Well Capitalized Bank Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in thousands of dollars)					
2006:						
Total capital (to risk-weighted assets)						
Consolidated	$ 129,548	17.11%	$ 60,560	≥8.0%	$ N/A	N/A
Reliance Bank	88,735	12.30%	57,696	≥8.0%	72,120	≥10.0%
Reliance Bank, F.S.B.	20,391	59.10%	2,760	≥8.0%	3,451	≥10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 122,446	16.18%	$ 30,280	≥4.0%	$ N/A	N/A
Reliance Bank	82,084	11.38%	28,848	≥4.0%	43,272	≥6.0%
Reliance Bank, F.S.B.	19,959	57.84%	1,380	≥4.0%	2,070	≥6.0%
Tier 1 capital (to average assets)						
Consolidated	$ 122,446	14.20%	$ 34,497	≥4.0%	$ N/A	N/A
Reliance Bank	82,084	10.02%	32,759	≥4.0%	40,948	≥5.0%
Reliance Bank, F.S.B.	19,959	44.37%	1,799	≥4.0%	2,249	≥5.0%
2005:						
Total capital (to risk-weighted assets)						
Consolidated	$ 97,653	18.03%	$ 43,326	≥8.0%	$ N/A	N/A
Reliance Bank	62,982	11.75%	42,892	≥8.0%	53,615	≥10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 92,440	17.07%	$ 21,663	≥4.0%	$ N/A	N/A
Reliance Bank	57,769	10.77%	21,526	≥4.0%	32,169	≥6.0%
Tier 1 capital (to average assets)						
Consolidated	$ 92,440	13.28%	$ 27,847	≥4.0%	$ N/A	N/A
Reliance Bank	57,769	8.34%	27,701	≥4.0%	34,627	≥5.0%

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Reliance Bancshares, Inc.:

We have audited the accompanying consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Cummings, Ristau & Associates, P.C.

March 25, 2008
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2006

ASSETS		2007	2006
Cash and due from banks (note 2)	$	13,170,564	7,975,924
Interest-earning deposits in other financial institutions		89,876	498,257
Federal funds sold		30,000	–
Investments in available-for-sale debt and equity securities, at fair value (note 3)		163,645,218	191,866,300
Loans (notes 4 and 9)		911,960,236	667,701,639
Less - Deferred loan fees/costs		(222,226)	(282,711)
Reserve for possible loan losses		(9,685,011)	(7,101,031)
Net loans		902,052,999	660,317,897
Premises and equipment, net (note 5)		42,931,925	30,960,372
Accrued interest receivable		4,959,629	4,412,330
Identifiable intangible assets, net of accumulated amortization of $74,653 and $58,365 at December 31, 2007 and 2006, respectively		169,666	185,954
Goodwill		1,149,192	1,149,192
Other assets (note 7)		7,953,353	3,432,983
	$	1,136,152,422	900,799,209

LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits (note 6):			
Non-interest-bearing	$	53,441,589	47,341,090
Interest-bearing		781,134,860	631,255,915
Total deposits		834,576,449	678,597,005
Short-term borrowings (note 8)		88,324,915	70,462,521
Notes payable to Federal Home Loan Bank (note 9)		68,000,000	24,300,000
Accrued interest payable		3,656,113	2,739,142
Other liabilities		1,703,972	1,203,949
Total liabilities		996,261,449	777,302,617
Commitments and contingencies (notes 13 and 14)			
Stockholders' equity (notes 11, 12, and 15):			
Preferred stock, no par value; 2,000,000 shares authorized		–	–
Common stock, $0.25 par value; 40,000,000 shares authorized, 20,682,075 and 19,571,248 shares issued and outstanding at December 31, 2007 and 2006, respectively		5,170,519	4,892,812
Surplus		122,991,770	109,896,794
Additional paid in capital - stock options		594,533	145,513
Unallocated restricted stock		(256,786)	–
Retained earnings		10,982,306	8,867,359
Accumulated other comprehensive income - net unrealized holding gains (losses) on available-for-sale debt securities		408,631	(305,886)
Total stockholders' equity		139,890,973	123,496,592
	$	1,136,152,422	900,799,209

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2007, 2006, and 2005

	2007	2006	2005
Interest income:			
Interest and fees on loans (note 4)	$ 55,098,966	38,812,553	25,184,572
Interest on debt and equity securities:			
Taxable	6,741,053	7,777,888	4,873,530
Exempt from Federal income taxes	1,533,958	1,116,965	598,869
Interest on short-term investments	489,535	316,865	636,223
Total interest income	63,863,512	48,024,271	31,293,194
Interest expense:			
Interest on deposits (note 6)	33,435,555	24,190,019	14,191,299
Interest on short-term borrowings (note 8)	2,380,580	1,320,341	468,319
Interest on notes payable to Federal Home Loan Bank (note 9)	1,792,913	716,806	575,906
Total interest expense	37,609,048	26,227,166	15,235,524
Net interest income	26,254,464	21,797,105	16,057,670
Provision for possible loan losses (note 4)	3,186,500	2,200,000	2,332,878
Net interest income after provision for possible loan losses	23,067,964	19,597,105	13,724,792
Noninterest income:			
Service charges on deposit accounts	509,352	379,242	277,688
Net gains (losses) on sale of debt and equity securities (note 3)	157,011	13,586	(103,486)
Other noninterest income (note 5)	1,132,893	854,340	336,491
Total noninterest income	1,799,256	1,247,168	510,693
Noninterest expense:			
Salaries and employee benefits (note 10)	13,073,159	10,079,601	6,736,287
Occupancy and equipment expense (note 5)	3,388,327	2,460,742	1,408,788
Data processing	1,499,199	1,074,189	757,499
Advertising	569,658	606,943	359,303
Postage, printing and supplies	493,796	501,353	267,910
Professional fees	559,818	266,740	235,646
Amortization of intangible assets	16,288	16,288	16,288
Other noninterest expenses	2,690,062	1,599,399	1,667,790
Total noninterest expense	22,290,307	16,605,255	11,449,511
Income before applicable income taxes	2,576,913	4,239,018	2,785,974
Applicable income tax expense (note 7)	461,966	1,222,753	862,943
Net income	$ 2,114,947	3,016,265	1,923,031
Per share amounts:			
Basic earnings per share	$ 0.10	0.16	0.12
Basic weighted average shares outstanding	20,342,622	18,684,762	16,095,431
Diluted earnings per share	$ 0.10	0.15	0.12
Diluted weighted average shares outstanding	21,336,623	19,548,189	16,681,322

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2007, 2006, and 2005

	2007	2006	2005
Net income	$ 2,114,947	3,016,265	1,923,031
Other comprehensive income (loss) before tax:			
Net unrealized gains (losses) on available-for-sale securities	1,239,613	1,936,918	(2,153,225)
Reclassification adjustment for losses (gains) included in net income	(157,011)	(13,586)	103,486
Other comprehensive income (loss) before tax	1,082,602	1,923,332	(2,049,739)
Income tax related to items of other comprehensive income (loss)	368,085	653,933	(696,911)
Other comprehensive income (loss), net of tax	714,517	1,269,399	(1,352,828)
Total comprehensive income	$ 2,829,464	4,285,664	570,203

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2007, 2006, and 2005

	Preferred stock	Common stock	Surplus	Additional paid in capital – stock options	Unamortized restricted stock	Subscriptions receivable	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total stock-holders' equity
Balance at December 31, 2004	$ –	3,739,211	65,761,317	–	–	–	3,928,063	–	(222,457)	73,206,134
Net income	–	–	–	–	–	–	1,923,031	–	–	1,923,031
Subscriptions received for 1,170,744 shares of common stock	–	292,686	10,829,382	–	–	(11,122,068)	–	–	–	–
Other activity (note 11)	64,369	526,385	17,848,916	–	–	–	–	–	–	18,439,670
Change in valuation of available -for-sale securities, net of related tax effect	–	–	–	–	–	–	–	–	(1,352,828)	(1,352,828)
Balance at December 31, 2005	64,369	4,558,282	94,439,615	–	–	(11,122,068)	5,851,094	–	(1,575,285)	92,216,007
Net income	–	–	–	–	–	–	3,016,265	–	–	3,016,265
Payments received for subscriptions receivable	–	–	–	–	–	11,122,068	–	–	–	11,122,068
Other activity (note 11)	(64,369)	334,530	15,457,179	145,513	–	–	–	–	–	15,872,853
Change in valuation of available-for-sale securities, net of related tax effect	–	–	–	–	–	–	–	–	1,269,399	1,269,399
Balance at December 31, 2006	–	4,892,812	109,896,794	145,513	–	–	8,867,359	–	(305,886)	123,496,592
Net income	**–**	**–**	**–**	**–**	**–**	–	**2,114,947**	**–**	**–**	**2,114,947**
Other activity (note 11)	**–**	**277,707**	**13,094,976**	**449,020**	**(256,786)**	–	**–**	**–**	**–**	**13,564,917**
Change in valuation of available -for-sale securities, net of related tax effect	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**714,517**	**714,517**
Balance at December 31, 2007	**$ –**	**5,170,519**	**122,991,770**	**594,533**	**(256,786)**	**–**	**10,982,306**	**–**	**408,631**	**139,890,973**

See accompanying notes to consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2007, 2006, and 2005

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 2,114,947	3,016,265	1,923,031
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,587,332	1,044,100	1,213,112
Provision for possible loan losses	3,186,500	2,200,000	2,332,878
Capitalized interest expense on construction	(571,239)	(310,760)	(79,505)
Deferred income tax benefit	(537,883)	(682,337)	(438,840)
Net losses (gains) on sale of debt and equity securities	(157,011)	(13,586)	103,486
Net losses on sale of other real estate owned	118,183	–	–
Stock option compensation cost	449,020	145,513	–
Common stock awarded to directors	10,000	13,800	–
Amortization of restricted stock expense	43,214	–	–
Mortgage loans originated for sale in the secondary market	(11,004,875)	–	–
Mortgage loans sold in secondary market	10,793,625	–	–
Increase in accrued interest receivable	(547,299)	(912,905)	(1,338,412)
Increase in accrued interest payable	916,971	979,769	839,071
Other operating activities, net	606,939	(160,081)	715,912
Net cash provided by operating activities	7,008,424	5,319,778	5,270,733
Cash flows from investing activities:			
Purchase of available-for-sale debt and equity securities	(25,619,513)	(59,313,559)	(98,811,739)
Proceeds from maturities and calls of available-for-sale debt securities	45,673,941	50,955,433	23,620,386
Proceeds from sales of available-for-sale debt and equity securities	9,584,621	8,411,900	4,408,291
Net increase in loans	(251,234,191)	(195,967,413)	(173,136,694)
Proceeds from sale of other real estate owned	2,699,813	412,706	87,042
Construction expenditures to finish other real estate owned	(129,825)	–	–
Purchase of prior liens on other real estate owned	(276,617)	–	–
Purchase of bank premises and equipment	(13,154,083)	(9,906,872)	(7,862,483)
Net cash used in investing activities	(232,455,854)	(205,407,805)	(251,695,197)
Cash flows from financing activities:			
Net increase in deposits	155,979,444	102,172,165	244,741,651
Net increase (decrease) in short-term borrowings	17,862,394	53,615,309	(14,961,463)
Proceeds from notes payable to Federal Home Loan Bank	48,000,000	10,000,000	10,000,000
Payments of notes payable to Federal Home Loan Bank	(4,300,000)	–	(1,500,000)
Issuance of common stock	13,693,686	26,717,804	18,540,592
Issuance of preferred stock	–	155,984	64,369
Purchase of treasury stock	(2,116,402)	(154,243)	(198,846)
Stock options exercised	1,174,075	107,125	34,000
Payment of stock issuance costs	(29,508)	(22,030)	(32,118)
Net cash provided by financing activities	230,263,689	192,592,114	256,688,185
Net increase (decrease) in cash and cash equivalents	4,816,259	(7,495,913)	10,263,721
Cash and cash equivalents at beginning of period	8,474,181	15,970,094	5,706,373
Cash and cash equivalents at end of period	$ 13,290,440	8,474,181	15,970,094
Supplemental information:			
Cash paid for:			
Interest	$ 37,263,316	25,558,157	14,475,958
Income taxes	838,000	2,145,461	1,347,000
Noncash transactions:			
Transfers to other real estate in settlement of loans	7,574,751	851,427	1,207,485
Loans made to facilitate the sale of other real estate	1,050,912	–	603,000
Capitalized interest expense	571,239	310,760	79,505
Stock option compensation cost	449,020	145,513	–
Common stock awarded to directors	10,000	13,800	–
Tax benefit from sale of nonqualified stock options exercised	340,832	–	–
Amortization of restricted stock expense	43,214	–	–
Stock issued for operating lease payments	–	30,968	31,673

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida through its wholly-owned subsidiaries, Reliance Bank and Reliance Bank, F.S.B. (hereinafter referred to as "the Banks"). Effective October 31, 2005, Reliance Bank of Godfrey (which was acquired by the Company on May 31, 2003) was merged into Reliance Bank. On January 17, 2006, the Company opened a new Federal Savings Bank, Reliance Bank, F.S.B. in Ft. Myers, Florida. Prior to this opening, Reliance Bank had maintained a loan production office in Ft. Myers, Florida and, with the opening of the Federal Savings Bank, loans totaling approximately $14 million that were originated in the Reliance Bank loan production office were transferred to Reliance Bank, F.S.B.

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and southwestern Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses, valuation of other real estate owned and stock options, and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

Following is a description of the more significant accounting policies of the Company and Banks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners, and cumulative effects of accounting changes recorded directly to retained earnings.

Cash Flow Information

For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Investments in Debt and Equity Securities
The Banks classify their debt securities into one of three categories at the time of purchase: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near-term. Held-to-maturity securities are those debt securities which the Banks have the ability and intent to hold until maturity. All other debt securities not included in trading or held-to-maturity, and all equity securities, are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities (for which no such securities were so designated at December 31, 2007 and 2006) would be recorded at amortized cost, adjusted for the amortization of premiums or accretion of discounts. Holding gains and losses on trading securities (for which no securities were so designated at December 31, 2007 and 2006) would be included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income in stockholders' equity until realized. Transfers of securities between categories would be recorded at fair value at the date of transfer. Unrealized holding gains and losses would be recognized in earnings for transfers into the trading category.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Amortization of premiums and accretion of discounts for mortgage-backed securities are recognized as interest income using the interest method, which considers the timing and amount of prepayments of the underlying mortgages in estimating future cash flows for individual mortgage-backed securities. For other debt securities in the available-for-sale and held-to-maturity categories, premiums and discounts are amortized or accreted over the lives of the respective securities, with consideration of historical and estimated prepayment rates, as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses from the sale of any securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary will result in a charge to earnings and the establishment of a new cost basis for the security. To determine whether an impairment is other-than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reason for impairment, the severity and duration of the impairment, and changes in value after the balance sheet date.

Loans
Interest on loans is credited to income based on the principal amount outstanding. Loans are considered delinquent whenever interest and/or principal payments have not been received when due. The recognition of interest income is discontinued when, in management's judgment, the interest will not be collectible in the normal course of business. Subsequent payments received on such loans are applied to principal if any doubt exists as to the collectibility of such principal; otherwise, such receipts are recorded as interest income. Loans are returned to accrual status when management believes full collectibility of principal and interest is expected. The Banks consider a loan impaired when all amounts due - both principal and interest - will not be collected in accordance with the contractual terms of the loan agreement. When measuring

impairment for such loans, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan; however, the Banks would measure impairment based on the fair value of the collateral, if foreclosure was probable.

Loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the lives of the related loans using the interest method.

The reserve for possible loan losses is available to absorb loan charge-offs. The reserve is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Loans are partially or fully charged off when Bank management believes such amounts are uncollectible, either through collateral liquidation or cash payment. The provision charged to operations each year is that amount which management believes is sufficient to bring the balance of the reserve to a level adequate to absorb potential loan losses, based on their knowledge and evaluation of past losses, the current loan portfolio, and the current economic environment in which the borrowers of the Banks operate.

Management believes the reserve for possible loan losses is adequate to absorb losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the reserve may be necessary based on changes in economic conditions. Additionally, various regulatory agencies, as an integral part of the examination process, periodically review the Banks' reserves for possible loan losses. Such agencies may require the Banks to add to the reserve for possible loan losses based on their judgments and interpretations about information available to them at the time of their examinations.

Bank Premises and Equipment
Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation of premises and equipment are computed over the expected lives of the assets, using the straight-line method. Estimated useful lives are 40 years for bank buildings and three to ten years for furniture, fixtures, and equipment. Expenditures for major renewals and improvements of bank premises and equipment (including related interest expense, which was $571,239, $310,760, and $79,505, for the years ended December 31, 2007, 2006, and 2005, respectively) are capitalized, and those for maintenance and repairs are expensed as incurred.

Certain long-lived assets, such as bank premises and equipment, and certain identifiable intangible assets must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In such situations, recoverability of assets to be held and used would be measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of would be reported at the lower of the carrying amount or estimated fair value, less estimated selling costs.

Other Real Estate Owned
Other real estate owned represents property acquired through foreclosure, or deeded to the Banks in lieu of foreclosure, for loans on which borrowers have defaulted as to payment of principal and interest. Properties acquired are initially recorded at the lower of the Banks' carrying amount or fair value (less estimated selling costs), and carried in other assets in the consolidated balance

sheets. At December 31, 2007 and 2006, the balance of other real estate owned was $4,937,285 and $825,000, respectively. Valuations are performed periodically by management, and an allowance for losses is established by means of a charge to noninterest expense if the carrying value of a property exceeded its fair value, less estimated selling costs. Subsequent increases in the fair value (less estimated selling costs) are recorded through a reversal of the allowance, but not below zero. Costs related to development and improvement of property are capitalized, while costs relating to holding the property are expensed.

Intangible Assets

Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at December 31, 2007 will be $16,288 for each of the next five years, and $88,226 thereafter.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. No impairment writedown was required in 2007, 2006, or 2005.

Securities Sold Under Agreements to Repurchase

The Banks enter into sales of securities under agreements to repurchase at specified future dates. Such repurchase agreements are considered financing arrangements and, accordingly, the obligation to repurchase assets sold is reflected as a liability in the consolidated balance sheets. Repurchase agreements are collateralized by debt securities which are under the control of the Banks.

Income Taxes

The Company and Banks file consolidated Federal and state income tax returns. Applicable income tax expense is computed based on reported income and expenses, adjusted for permanent differences between reported and taxable income. Penalties and interest assessed by income taxing authorities are included in income tax expense in the year assessed, unless such amounts relate to an uncertain tax position, as defined below.

The Company and Banks use the asset and liability method of accounting for income taxes, in which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period which includes the enactment date.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* an Interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FASB Interpretation No. 48 (FIN 48) clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective and was implemented in 2007 by the Company; however, Company management believes that the Company maintains no uncertain tax positions for tax reporting purposes, and, accordingly, no FIN 48 liability is required to be recorded.

The Company's Federal and state income tax returns have never been examined by the Internal Revenue Service or applicable state taxing authorities. The Company's Federal and state income tax returns for the years ended December 31, 2007, 2006, and 2005 are subject to examination generally for three years after they are filed.

Mortgage Banking Operations
The Banks' mortgage banking operations include the origination of long-term, fixed rate residential mortgage loans for sale (without recourse) in the secondary market. Upon receipt of an application for a residential real estate loan, the Banks generally lock in an interest rate with the applicable investor and, at the same time, lock into an interest rate with the customer. This practice minimizes the Banks' exposure to risk resulting from interest rate fluctuations. Upon disbursement of the loan proceeds to the customer, the loan is delivered to the applicable investor. Sales proceeds are generally received within two to seven days later. Therefore, no loans held for sale are included in the Banks' loan portfolios at any point in time, except those loans for which the sale proceeds have not yet been received. Such loans are maintained at the lower of cost or market value, based on the outstanding commitment from the applicable investors for such loans.

Loan origination fees are recognized upon the sale of the related loans and included in the consolidated statements of income as other noninterest income. The Banks do not retain the servicing rights for any such loans sold in the secondary market.

Stock Issuance Costs
The Company incurs certain costs associated with the issuance of its common stock. Such costs are recorded as a reduction of equity capital.

Earnings per Share
Basic earnings per share data is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of earnings per share which could occur under the treasury stock method if contracts to issue common stock, such as stock options, were exercised. The following table presents a summary of per share data and amounts for the periods indicated.

	Years Ended December 31,		
	2007	2006	2005
Basic			
Net income	$ **2,114,947**	3,016,265	1,923,031
Weighted average common shares outstanding	**20,342,622**	18,684,762	16,095,431
Basic earnings per share	$ **0.10**	0.16	0.12
Diluted			
Net income	$ **2,114,947**	3,016,265	1,923,031
Weighted average common shares outstanding	**20,342,622**	18,684,762	16,095,431
Effect of dilutive stock options	**994,001**	863,427	585,891
Diluted weighted average common shares outstanding	**21,336,623**	19,548,189	16,681,322
Diluted earnings per share	$ **0.10**	0.15	0.12

As of December 31, 2007 and 2006, options to purchase 130,500 and 14,000 shares, respectively, were excluded from the earnings per share calculation because their effect was anti-dilutive. No such anti-dilutive shares were outstanding at December 31, 2005.

Stock Options

The Company maintains various stock option plans, which are discussed in more detail in Note 11 to these consolidated financial statements. Prior to 2006, the Company applied the intrinsic value-based method, as outlined in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* (APB 25) and related interpretations, in accounting for stock options granted under these plans. Under the intrinsic value-based method, no compensation expense was recognized if the exercise price of the Company's employee stock options was equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, prior to 2006, no compensation cost was recognized in the consolidated statements of income for stock options granted to employees, since all options granted under the Company's stock option plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) *Share-based Payment* (FAS 123R). This statement replaced FAS No. 123, *Accounting for Stock-Based Compensation*, and superseded APB 25. FAS 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the grant date fair value for all equity classified awards. The Company adopted this statement using the modified prospective method, which requires the Company to recognize compensation expense on a prospective basis for all outstanding unvested awards. Therefore, prior period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for share-based awards granted after the adoption date, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods.

The following table illustrates the pro forma effect on net income if the fair-value-based method had been applied to all outstanding and unvested awards in the year ended December 31, 2005. The impact of adopting FAS 123R increased compensation expense in 2007 and 2006 by $449,020 and $145,513, respectively, before income taxes, and had a $0.02 impact on basic and diluted earnings per share in 2007 and less than a $0.01 impact in 2006.

	2005
Net income, as reported	$ 1,923,031
Deduct total stock-based compensation expense determined under fair-value-based method for all awards, net of related taxes	(1,416,940)
Adjusted net income	$ 506,091
Weighted average shares outstanding	16,095,431
Options dilution	473,398
Diluted shares	16,568,829
Earnings per share:	
Basic:	
As reported	$ 0.12
Pro forma	0.03
Diluted:	
As reported	$ 0.12
Pro forma	0.03

Based on the valuation and accounting uncertainties that outstanding options presented under proposed accounting treatment at the time, the Board of Directors accelerated the vesting of substantially all of the Company's outstanding stock options during the fourth quarter of 2005. This action resulted in the remaining fair value of substantially all of the outstanding stock options being recognized in 2005 as part of the pro-forma disclosures above.

The weighted average fair values of options granted in 2007, 2006, and 2005 were $3.98, $4.25, and $2.61, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. In using the Black-Scholes option pricing model to value the options, several assumptions have been made in arriving at the estimated fair value of the options granted in 2007, 2006, and 2005, including volatility of 0-20% in the Company's common stock price, expected forfeitures of 8-10%, no dividends paid on the common stock, an expected weighted average option life of 6.00, 10.00, and 8.67 years for options granted in 2007, 2006, and 2005, respectively, and a risk-free interest rate approximating the Treasury rate for the applicable duration period. Any change in these assumptions could have a significant impact on the effects of determining compensation costs.

Financial Instruments

For purposes of information included in note 14 regarding disclosures about financial instruments, financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract that both (a) imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (b) conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity.

NOTE 2 - CASH AND DUE FROM BANKS

The Banks are required to maintain certain daily reserve balances of cash and due from banks in accordance with regulatory requirements. The reserve balances maintained in accordance with such requirements at December 31, 2007 and 2006 were approximately $25,000 and $2,046,000, respectively.

NOTE 3 - INVESTMENTS IN DEBT AND EQUITY SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair values of the Banks' available-for-sale debt and equity securities at December 31, 2007 and 2006 were as follows:

2007	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 79,705,325	759,939	(42,978)	80,422,286
Obligations of state and political subdivisions	38,913,135	413,620	(71,162)	39,255,593
Other debt securities	7,595,063	7,858	(399,016)	7,203,905
Mortgage-backed securities	31,209,657	162,534	(211,657)	31,160,534
Equity securities	5,602,900	–	–	5,602,900
	$ 163,026,080	1,343,951	(724,813)	163,645,218

2006	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. Government agencies and corporations	$ 110,381,507	390,216	(820,594)	109,951,129
Obligations of state and political subdivisions	33,137,041	487,835	(97,892)	33,526,984
Other debt securities	7,319,891	23,263	(62,499)	7,280,655
Mortgage-backed securities	37,994,505	100,917	(484,690)	37,610,732
Equity securities	3,496,800	–	–	3,496,800
	$ 192,329,744	1,002,231	(1,465,675)	191,866,300

Included in available-for-sale securities at December 31, 2007 and 2006 are equity securities representing common stock of the Federal Home Loan Bank of Des Moines and the Federal Home Loan Bank of Atlanta, which are administered by the Federal Housing Finance Board. As members of the Federal Home Loan Bank System, the Banks must maintain minimum investments in the capital stock of their respective district Federal Home Loan Banks. The stock is recorded at cost, which represents redemption value. The Company's Chief Financial Officer also serves as Vice Chairman on the Board of Directors of the Federal Home Loan Bank of Des Moines.

The amortized cost and estimated fair values of debt and equity securities classified as available-for-sale at December 31, 2007, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without prepayment penalties.

	Amortized cost	Estimated fair value
Due one year or less	$ 17,255,770	17,224,317
Due one year through five years	54,619,716	55,227,710
Due five years through ten years	32,112,578	32,370,403
Due after ten years	22,225,459	22,059,354
Mortgage-backed securities	31,209,657	31,160,534
Equity securities	5,602,900	5,602,900
	$ 163,026,080	163,645,218

Provided below is a summary of available-for sale securities which were in an unrealized loss position at December 31, 2007. The obligations of U.S. Government agencies and mortgage-backed securities with unrealized losses at December 31, 2007 are primarily issued from and guaranteed by the Federal Home Loan Bank, Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. Obligations of states and political subdivisions and other debt securities in an unrealized loss position are primarily comprised of highly-rated municipal bonds. The Banks have the ability and intent to hold these securities until such time as the value recovers or the securities mature. Further, the Banks believe that the impairment in value is attributable to changes in market interest rates and not the credit quality of the issuers.

	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
Obligations of U.S. Government agencies and corporations	$ 999,690	23	15,951,275	42,955	16,950,965	42,978
Obligations of states and political subdivisions	5,378,643	27,314	4,593,795	43,848	9,972,438	71,162
Other debt securities	3,970,077	374,219	2,018,760	24,797	5,988,837	399,016
Mortgage-backed securities	858,744	6,505	14,745,576	205,152	15,604,320	211,657
	$ 11,207,154	408,061	37,309,406	316,752	48,516,560	724,813

The carrying value of debt securities pledged to secure public funds, securities sold under repurchase agreements, certain borrowings, and for other purposes amounted to approximately $156,904,000 and $150,797,000 at December 31, 2007 and 2006, respectively. The Banks have also pledged letters of credit from the Federal Home Loan Banks totaling $11,600,000 as additional collateral to secure public funds at December 31, 2007.

During 2007, 2006, and 2005, certain available-for-sale securities were sold for proceeds totaling $9,584,621, $8,411,900, $4,408,291, respectively, resulting in gross gains of $164,037, $30,810, and $3,854, respectively, and gross losses of $7,026, $17,224, and $107,340, respectively.

NOTE 4 - LOANS

The composition of the loan portfolio at December 31, 2007 and 2006 is as follows:

	2007	2006
Commercial:		
Real estate	$ **514,752,151**	394,469,137
Other	**61,519,983**	53,152,775
Real estate:		
Construction	**184,167,532**	108,408,270
Residential	**146,488,402**	105,094,409
Held for sale	**211,250**	–
Consumer	**4,786,747**	6,541,351
Overdrafts	**34,171**	35,697
	$ **911,960,236**	667,701,639

The Banks grant commercial, industrial, residential, and consumer loans throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida. The Banks do not have any particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio is concentrated in and secured by real estate in the St. Louis, Missouri metropolitan area and southwestern Florida. The ability of the Banks' borrowers to honor their contractual obligations is dependent upon the local economies and their effect on the real estate market.

The aggregate amount of loans to executive officers and directors and loans made for the benefit of executive officers and directors was $51,721,397 and $39,775,642 at December 31, 2007 and 2006, respectively. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility. A summary of activity for loans to executive officers and directors for the year ended December 31, 2007 is as follows:

Balance, December 31, 2006	$	39,775,642
New loans made		18,592,287
Payments received		(6,646,532)
Balance, December 31, 2007	$	51,721,397

At December 31, 2007, 2006, and 2005, the Banks had a total of $17,747,610, $5,082,784, and $3,050,351, respectively, of loans that were considered impaired, of which $15,810,222 had the accrual of interest discontinued at December 31, 2007, and all of which had the accrual of interest discontinued at December 31, 2006 and 2005. At December 31, 2007, 2006, and 2005, $3,691,953, $126,488, and $617,191, respectively, of such impaired loans had no specific allocation of the reserve for possible loan losses allocated thereto. The Banks had allocated $1,269,432, $374,644, and $239,563 of the reserve for possible loan losses for all other impaired loans at December 31, 2007, 2006, and 2005, respectively. Had the Banks' impaired loans continued to accrue interest, the Banks would have earned $2,552,163, $499,442, and $216,477 for the years ended December 31, 2007, 2006, and 2005, respectively, rather than the $1,623,404, $321,755, and $74,533, respectively, that the Banks earned thereon on a cash basis. The average balance of impaired loans for the years ended December 31, 2007, 2006, and 2005 was $8,092,288, $3,470,251, and $2,969,402, respectively. Loans 90 days or more delinquent and still accruing interest totaled approximately $1,937,000, $65,000, and $24,000 at December 31, 2007, 2006, and 2005, respectively.

Transactions in the reserve for possible loan losses for the years ended December 31, 2007, 2006, and 2005 are summarized as follows:

		2007	2006	2005
Balance, January 1	$	**7,101,031**	5,213,032	3,112,382
Provision charged to operations		**3,186,500**	2,200,000	2,332,878
Charge-offs		**(650,787)**	(333,784)	(259,935)
Recoveries of loans previously charged off		**48,267**	21,783	27,707
Balance, December 31	$	**9,685,011**	7,101,031	5,213,032

NOTE 5 - PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 2007 and 2006 is as follows:

		2007	2006
Land	$	**7,839,069**	6,828,376
Buildings and improvements		**24,015,983**	15,560,753
Furniture, fixtures, and equipment		**7,354,448**	5,517,637
Construction in progress		**8,749,416**	6,470,639
		47,958,916	34,377,405
Less accumulated depreciation		**5,026,991**	3,417,033
	$	**42,931,925**	30,960,372

Amounts charged to noninterest expense for depreciation aggregated $1,749,397, $1,231,890, and $790,846 for the years ended December 31, 2007, 2006, and 2005, respectively.

At December 31, 2007, Reliance Bank had three new branch locations under construction and one additional branch location planned in the St. Louis metropolitan area. Reliance Bank, F.S.B. had one new branch location under construction, and four additional branch locations planned in southwestern Florida. Total construction costs, including land acquisition, are estimated to be approximately $14,000,000, all of which are expected to be completed in 2008 or 2009. Certain of the branch construction contracts have or will involve contracts for construction with a general contracting company that is majority-owned by one of the Company's directors. All construction contracts entered into by the Company have been made under formal sealed bid processes. During the years ended December 31, 2007, 2006, and 2005, the Company paid $3,618,941, $3,476,968, and $1,701,803, respectively, to the construction company owned by the Company director for construction costs incurred. Additionally, the main banking facility of Reliance Bank, F.S.B. was built on land in Ft. Myers, Florida purchased from two of the Company's directors for $854,311, and land for two future branch locations of Reliance Bank, F.S.B. was purchased from Reliance Bank, F.S.B. directors for $1,967,108.

Reliance Bank leases the land on which certain of its branch facilities have been built under noncancelable operating lease agreements that expire at various dates through 2026, with various options to extend the leases. A portion of the payments under one of these operating leases is payable in Company common stock. Minimum rental commitments and the total common stock committed for payments under all noncancelable operating lease agreements at December 31, 2007, for each of the next five years, and in the aggregate, are as follows:

	Minimum lease payments	Portion payable in stock
Year ending December 31:		
2008	$ 623,055	25,000
2009	580,315	25,000
2010	476,558	25,000
2011	478,570	25,000
2012	459,892	25,000
After 2012	5,324,866	260,417
Total minimum payments required	$ 7,943,256	385,417

The Company has also leased temporary facilities for its various branches during the construction of the applicable new branch facilities. Total rent paid by the Company for 2007, 2006, and 2005 was $600,517, $411,344, and $253,110, respectively.

Reliance Bank leases out a portion of certain of its banking facilities to unaffiliated companies under noncancelable leases that expire at various dates through 2011. Minimum rental income under these noncancelable leases at December 31, 2007, for each of the next four years and in the aggregate, is as follows:

Year ending December 31:	
2008	$ 230,308
2009	232,495
2010	174,922
2011	152,698
Total minimum payments required	$ 790,423

The Company also leased its headquarters building to the former tenant thereof for a short period of time in 2005, after the Company's purchase of the building. Total rental income recorded by the Company and Banks in 2007, 2006, and 2005 totaled $127,174, $30,925, and $94,833, respectively.

NOTE 6 - DEPOSITS

A summary of interest-bearing deposits at December 31, 2007 and 2006 is as follows:

	2007	2006
Interest-bearing transaction accounts	$ 172,957,064	127,130,026
Savings	53,344,446	67,304,076
Other time deposits:		
Less than $100,000	305,342,488	264,812,549
$100,000 and over	249,490,862	172,009,264
	$ 781,134,860	631,255,915

Deposits of executive officers, directors and their related interests at December 31, 2007 and 2006 totaled $14,028,267 and $4,254,853, respectively.

Interest expense on deposits for the years ended December 31, 2007, 2006, and 2005 is summarized as follows:

	2007	2006	2005
Interest-bearing transaction accounts	$ 6,750,382	2,930,249	942,053
Savings	1,797,088	3,880,303	2,958,133
Other time deposits:			
Less than $100,000	13,520,495	11,304,228	6,852,307
$100,000 and over	11,367,590	6,075,239	3,438,806
	$ 33,435,555	24,190,019	14,191,299

Following are the maturities of time deposits for each of the next five years and in the aggregate at December 31, 2007:

Year ending December 31:	
2008	$ 489,889,774
2009	22,606,427
2010	15,862,919
2011	6,862,705
2012	19,611,525
	$ 554,833,350

NOTE 7 - INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2007, 2006, and 2005 are as follows:

	2007	2006	2005
Current:			
Federal income taxes	$ 990,414	1,786,165	1,173,701
State income taxes	9,435	118,925	128,082
Deferred income taxes	(537,883)	(682,337)	(438,840)
	$ 461,966	1,222,753	862,943

A reconciliation of expected income tax expense computed by applying the Federal statutory rate of 34% to income before applicable income tax expense for the years ended December 31, 2007, 2006, and 2005 is as follows:

		2007	2006	2005
Expected statutory Federal income tax expense	$	**876,150**	1,441,266	947,231
State income taxes, net of Federal benefit		**6,227**	78,490	84,534
Tax exempt interest and dividend income		**(442,276)**	(333,249)	(196,660)
Other, net		**21,865**	36,246	27,838
	$	**461,966**	1,222,753	862,943

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2007, 2006, and 2005 are presented below:

		2007	2006	2005
Deferred tax assets:				
Amortization of start-up costs for tax purposes	$	**46,813**	50,556	60,055
Reserve for possible loan losses		**3,592,926**	2,626,251	1,926,227
Operating loss carryforward of purchased subsidiary		**66,088**	266,603	295,392
Stock option expense		**134,947**	53,927	–
Unrealized net holding losses on available-for-sale securities		**–**	157,558	813,211
Other, net		**7,883**	–	–
Total deferred tax assets		**3,848,657**	3,154,895	3,094,885
Deferred tax liabilities:				
Bank premises and equipment		**(1,332,251)**	(1,113,319)	(984,397)
Accrual basis of accounting used for financial reporting purposes and cash basis of accounting used for tax reporting purposes		**–**	–	(77,749)
Purchase adjustments		**(65,865)**	(72,188)	(109,583)
Unrealized net holding gains on available-for-sale securities		**(210,507)**	–	–
Other, net		**(254,786)**	(153,958)	(134,410)
Total deferred tax liabilities		**(1,863,409)**	(1,339,465)	(1,306,139)
Net deferred tax assets	$	**1,985,248**	1,815,430	1,788,746

The Company is required to provide a valuation reserve on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation reserve at December 31, 2007, 2006, and 2005, due to management's belief that future income levels will be sufficient to realize the net deferred tax assets recorded. In connection with the acquisition of The Bank of Godfrey on May 31, 2003, the Company assumed operating loss carryforwards for tax reporting purposes totaling $1,038,149, and established deferred tax assets at acquisition of $352,971. At December 31, 2007, the operating loss carryforward for tax reporting purposes was $194,375, which will expire if not used by 2022.

NOTE 8 - SHORT-TERM BORROWINGS

Following is a summary of short-term borrowings at December 31, 2007 and 2006:

	2007	2006
Funds purchased	$ **49,096,236**	41,731,690
Securities sold under repurchase agreements	**39,228,679**	28,730,831
	$ **88,324,915**	70,462,521

Funds are purchased from the Federal Home Loan Bank of Des Moines and other financial institutions on a daily basis, when needed for liquidity. The Banks also sell securities under agreements to repurchase, which are collateralized by debt securities consisting of U.S. Government corporations or agencies with a net carrying value of approximately $70,696,000 at December 31, 2007. The average balances, maximum month-end amounts outstanding, average rates paid during the year, and average rates at year end for funds purchased and securities sold under repurchase agreements as of and for the years ended December 31, 2007, 2006, and 2005 were as follows:

	2007	2006	2005
Average balance	$ **49,178,929**	26,474,859	17,155,128
Maximum amount outstanding at any month-end	**88,324,915**	74,612,402	43,537,515
Average rate paid during the year	**4.84%**	4.99%	2.73%
Average rate at end of year	**4.40%**	5.10%	3.78%

NOTE 9 – NOTES PAYABLE TO FEDERAL HOME LOAN BANK

At December 31, 2007, Reliance Bank had fixed rate advances outstanding with the Federal Home Loan Bank of Des Moines, maturing as follows:

	Amount	Weighted average rate
Due in 2008	$ 13,000,000	4.53%
Due in 2010	15,000,000	4.57%
Due in 2012	20,000,000	4.92%
Due after 2012	20,000,000	4.05%
	$ 68,000,000	

At December 31, 2007, Reliance Bank maintained a line of credit in the amount of $155,183,325 with the Federal Home Loan Bank of Des Moines and had availability under that line of $45,683,325. Federal Home Loan Bank of Des Moines advances are secured under a blanket agreement which assigns all Federal Home Loan Bank of Des Moines stock and one-to-four family and multi-family mortgage and commercial real estate loans. Additionally, at December 31, 2007, Reliance Bank, F.S.B. maintained a line of credit in the amount of $3,500,000 (of which $3,400,000 was available) with the Federal Home Loan Bank of Atlanta, secured by debt securities.

NOTE 10 - EMPLOYEE BENEFITS

The Company sponsors a contributory 401(k) savings plan to provide retirement benefits to eligible employees. Contributions made by the Company in 2007, 2006, and 2005 totaled $216,206, $153,916, and $110,974, respectively.

NOTE 11 - CAPITAL STOCK

The Company has authorized 40,000,000 shares of common stock with a par value of $0.25 per share. At December 31, 2007, 20,682,075 shares were issued and outstanding, with 3,660,000 shares reserved for issuance under the Company's stock option programs. Holders of the Company's common stock are entitled to one vote per share on all matters submitted to a shareholder vote. Holders of the Company's common stock are entitled to receive dividends when, as and if declared by the Company's Board of Directors. In the event of liquidation of the Company, the holders of the Company's common stock are entitled to share ratably in the remaining assets after payment of all liabilities and preferred shareholders as described below.

On December 22, 2006, the Company's stockholders approved a two-for-one stock split with a concurrent reduction in par value per Class A common share from $0.50 to $0.25. All share and per share information included in these consolidated financial statements has been retroactively restated to reflect this stockholder action.

At December 31, 2005, the Company terminated its Ninth Private Placement Offering to accredited investors, in which shares of Company common stock were offered at 1.75 times the book value per share of the combined common and preferred stock (excluding any accumulated comprehensive income or loss included in stockholders' equity). In terminating the Ninth Private Placement Offering, the Company notified interested investors that subscriptions would be accepted for the purchase of common shares under the Ninth Private Placement Offering through December 31, 2005, provided that the payments were received by January 10, 2006. At December 31, 2005, the Company had subscriptions receivable totaling $11,122,068 for the purchase of 1,170,744 common shares, which were subsequently received by January 10, 2006.

The Company has authorized 2,000,000 shares of no par preferred stock, with no shares issued and outstanding at December 31, 2007. Preferred stock may be issued by the Company's Board of Directors from time to time, in series, at which time the terms of such series (par value per share, dividend rates and dates, cumulative or noncumulative, liquidation preferences, etc.) shall be fixed by the Board of Directors. On January 19, 2005, the Company's Board of Directors authorized a separate issue of nonvoting convertible preferred stock for sale to officers and employees of the Company and its subsidiaries pursuant to the 2005 Employee Stock Purchase Plan established on September 29, 2004, which originally authorized the purchase of up to 150,000 shares of Company common stock at 85% of the common stock's fair value, by officers and employees of the Company. The preferred stock was designated Series E Convertible Preferred Stock, authorized for 150,000 shares, with no par value, and was available for sale only to officers and employees of the Company and its subsidiaries, pursuant to the Company's Employee Stock Purchase Plan, at prices determined from time to time under the Employee Stock Purchase Plan. Additionally, no dividends were declared or set aside for shares of Series E Convertible Preferred Stock, except in the event that the Board of Directors of the Company would have declared a dividend payable upon the outstanding common stock of the Company, in which case, the Series E preferred shareholders would have been entitled to the same dividend as declared on the common stock, as if the preferred shares were converted to common stock prior to the dividend declaration.

In the event of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any sums shall be paid, or any assets distributed among the holders of Company common stock, the holders of Series E preferred stock would have been entitled to be paid first out of the assets of the Company available for distribution at a liquidation price of the greater of (i) $7.225 per Series E preferred share, plus all dividends payable thereon, or (ii) such amount per share that would have been payable had each such Series E preferred share been converted to common stock immediately prior to the liquidation.

The Series E Convertible Preferred Stock was convertible into the Company's common stock at a conversion rate computed by dividing $7.225 by the applicable conversion value, which was initially defined as $7.225, adjusted accordingly for certain sales of common stock at prices under $7.225. The Series E Convertible Preferred Stock was convertible at the shareholder's option at any time after January 19, 2008, and at the option of the Company's Board of Directors at any time after January 19, 2006. On December 29, 2006, the Company exercised its option to convert all 23,212 shares of Series E preferred stock to 23,212 shares of Company common stock. Subsequent purchases under the Employee Stock Purchase Plan have been for Class A common shares.

Stock Option Plans

Various stock option plans have been adopted (both incentive stock option plans and nonqualified stock option plans) under which options to purchase a total of 3,660,000 shares of Company common stock may be granted to officers, employees and directors of the Company and its subsidiary banks. All options were authorized and granted at prices approximating or exceeding the fair value of the Company's common stock at the date of grant. Various vesting schedules have been authorized for the options granted to date by the Company's Board of Directors, including certain performance measures used to determine vesting of certain options granted. Additionally, in November 2005, the Company's Board of Directors approved the acceleration of all vesting requirements into 2005 for all existing options outstanding at that time, except for nonqualified options to purchase 10,500 shares of common stock granted to the Company's directors in 2005. Options expire up to ten years from the date of grant if not exercised. For certain of the options granted, the Company's Board of Directors has the ability, at its sole discretion, to grant to key officers of the Company and Banks, the right to surrender their options held to the Company, in whole or in part, and to receive in exchange therefore, payment by the Company of an amount equal to the excess of the fair value of the shares subject to such options over the exercise price to acquire such options. Such payments may be made in cash, shares of Company common stock, or a combination thereof.

The weighted average option prices for the 2,349,200 and 2,224,200 options outstanding at December 31, 2007 and 2006, respectively, was $7.63 and $6.58, respectively. At December 31, 2007, options to purchase an additional 506,700 shares of Company common stock were available for future grants under the various plans.

Following is a summary of stock option activity for the years ended December 31, 2007 and 2006:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Balance at December 31, 2005	$ 6.41	1,620,200	6.14	543,000
Granted	11.83	46,000	12.09	52,000
Forfeited	9.50	(2,000)	7.69	(17,000)
Exercised	5.82	(16,000)	7.25	(2,000)
Balance at December 31, 2006	6.57	1,648,200	$ 6.63	576,000
Granted	**13.53**	**184,100**	**16.44**	**130,000**
Forfeited	**11.88**	**(14,000)**	**4.85**	**5,000**
Exercised	**6.48**	**(170,100)**	**7.25**	**(10,000)**
Balance at December 31, 2007	**$ 7.31**	**1,648,200**	**$ 8.41**	**701,000**

During 2007, the Company awarded 20,000 shares restricted stock to three officers, of which 8,000 shares will vest over a four year period, and 12,000 shares will vest upon certain loan production goals being met. The awarded shares are being amortized over the estimated vesting periods.

Other Activity in Stockholders' Equity

Following is a summary of other activity in the consolidated statements of stockholders' equity for the years ended December 31, 2007, 2006, and 2005:

2007		Preferred stock	Common stock	Surplus	Additional paid in capital - stock options	Unamortized restricted stock	Treasury stock	Total
Purchase of 177,951 common shares for treasury	$	–	–	–	–	–	(2,116,402)	(2,116,402)
Issuance of 1,087,878 shares of common stock (99,810 shares from treasury)		–	247,017	12,366,090	–	–	1,080,579	13,693,686
Stock issuance costs		–	–	(29,508)	–	–	–	(29,508)
Stock options exercised - 180,100 shares (78,141 shares from treasury)		–	25,490	112,762	–	–	1,035,823	1,174,075
Tax benefit from sale of nonqualified stock options exercised		–	–	340,832	–	–	–	340,832
Compensation cost recognized for stock options granted		–	–	–	449,020	–	–	449,020
800 shares of common stock awarded to directors		–	200	9,800	–	–	–	10,000
Issuance of 20,000 shares of restricted stock to officers		–	5,000	295,000	–	(300,000)	–	–
Amortization of restricted stock		–	–	–	–	43,214	–	43,214
	$	–	277,707	13,094,976	449,020	(256,786)	–	13,564,917

		Preferred stock	Common stock	Surplus	Additional paid in capital - stock options	Unamortized restricted stock	Treasury stock	Total
2006								
Purchase of 12,316 common shares and 1,312 preferred shares for treasury	$	–	–	–	–	–	(154,243)	(154,243)
Issuance of 1,305,496 shares of common stock (8,316 shares from treasury)		–	324,295	15,176,817	–	–	94,624	15,595,736
Issuance of 14,724 shares of preferred stock (1,312 shares from treasury)		145,365	–	–	–	–	10,619	155,984
Stock issuance costs		–	–	(22,030)	–	–	–	(22,030)
Stock options exercised – 18,000 shares (4,000 shares from treasury)		–	3,500	54,625	–	–	49,000	107,125
Compensation cost recognized for stock options granted		–	–	–	145,513	–	–	145,513
Issuance of 2,528 shares as partial payment for certain operating leases		–	632	30,336	–	–	–	30,968
1,200 shares of common stock awarded to directors		–	300	13,500	–	–	–	13,800
Conversion of 23,212 preferred shares to 23,212 common shares		(209,734)	5,803	203,931	–	–	–	–
	$	(64,369)	334,530	15,457,179	145,513	–	–	15,872,853
2005								
Purchase of 20,224 common shares for treasury	$	–	–	–	–	–	(198,846)	(198,846)
Issuance of 2,114,430 shares of common stock (20,224 shares from treasury)		–	523,551	17,818,195	–	–	198,846	18,540,592
Stock issuance costs		–	–	(32,118)	–	–	–	(32,118)
Stock options exercised – 8,000 shares		–	2,000	32,000	–	–	–	34,000
Issuance of 8,488 shares of preferred stock		64,369	–	–	–	–	–	64,369
Issuance of 3,334 shares as partial payment for certain operating leases		–	834	30,839	–	–	–	31,673
	$	64,369	526,385	17,848,916	–	–	–	18,439,670

NOTE 12 - PARENT COMPANY FINANCIAL INFORMATION

Subsidiary bank dividends are the principal source of funds for the payment of dividends by the Company to its stockholders and for debt servicing. The Banks are subject to regulation by regulatory authorities that require the maintenance of minimum capital requirements. As of December 31, 2007, there are no regulatory restrictions other than the maintenance of minimum capital standards (as discussed in Note 15), as to the amount of dividends the Banks may pay.

Following are condensed balance sheets as of December 31, 2007 and 2006, and the related condensed schedules of income and cash flows for each of the years in the three-year period ended December 31, 2007 of the Company (parent company only):

	2007	2006
Condensed Balance Sheets		
Assets:		
Cash	$ 11,834,803	18,949,534
Investment in subsidiary banks	126,314,181	103,074,402
Premises and equipment	803,687	766,866
Other assets	960,687	720,790
Total assets	$ 139,913,358	123,511,592
Liabilities - accrued expenses payable	$ 22,385	15,000
Total stockholders' equity	139,890,973	123,496,592
Total liabilities and stockholders' equity	$ 139,913,358	123,511,592

	2007	2006	2005
Condensed Schedules of Income			
Revenue:			
Rental income	$ –	–	62,500
Interest on interest-earning deposits in subsidiary banks	896,422	850,650	528,076
Other interest income	–	5,738	–
Total revenues	896,422	856,388	590,576
Expenses:			
Salaries and employee benefits	799,339	482,473	225,160
Professional fees	272,372	59,456	83,988
Other expenses	86,475	37,474	276,902
Total expenses	1,158,186	579,403	586,050
Income (loss) before income tax and equity in undistributed income of subsidiary banks	(261,764)	276,985	4,526
Income tax expense (benefit)	(99,671)	111,260	1,539
	(162,093)	165,725	2,987
Equity in undistributed income of subsidiary banks	2,277,040	2,850,540	1,920,044
Net income	$ 2,114,947	3,016,265	1,923,031

	2007	2006	2005
Condensed Schedules of Cash Flows			
Cash flows from operating activities:			
Net income	$ **2,114,947**	3,016,265	1,923,031
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Undistributed income of subsidiary banks	**(2,277,040)**	(2,850,540)	(1,920,044)
Depreciation	–	–	30,000
Capitalized interest expense	**(36,821)**	(75,683)	–
Stock option compensation cost	**244,004**	145,513	–
Common stock awarded to directors	**10,000**	13,800	–
Other, net	**108,328**	(354,361)	450,636
Net cash provided by (used in) operating activities	**163,418**	(105,006)	483,623
Cash flows from investing activities:			
Capital injections into subsidiary banks	**(20,000,000)**	(40,000,000)	–
Purchase of premises and equipment	–	(1,092,441)	(3,632,397)
Sale of premise and equipment to subsidiary	–	2,676,278	–
Net cash used in investing activities	**(20,000,000)**	(38,416,163)	(3,632,397)
Cash flows from financing activities:			
Purchase of treasury stock	**(2,116,402)**	(154,243)	(198,846)
Sale of common stock	**13,693,686**	26,717,804	18,540,592
Sale of preferred stock	–	155,984	64,369
Stock options exercised	**1,174,075**	107,125	34,000
Payment of stock issuance costs	**(29,508)**	(22,030)	(32,118)
Net cash provided by financing activities	**12,721,851**	26,804,640	18,407,997
Net increase (decrease) in cash	**(7,114,731)**	(11,716,529)	15,259,223
Cash at beginning of year	**18,949,534**	30,666,063	15,406,840
Cash at end of year	$ **11,834,803**	18,949,534	30,666,063

NOTE 13 - LITIGATION

During the normal course of business, various legal claims have arisen which, in the opinion of management, will not result in any material liability to the Company.

NOTE 14 - DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at December 31, 2007 and 2006:

	2007	2006
Financial instruments for which contractual amounts represent:		
Commitments to extend credit	$ 321,418,991	148,143,624
Standby letters of credit	13,963,956	3,244,721
	$ 335,382,947	151,388,345

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. Of the total commitments to extend credit at December 31, 2007, $115,274,717 were made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party, for which draw requests have historically not been made thereon. Such guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Following is a summary of the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2007 and 2006:

	2007		2006	
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
Balance sheet assets:				
Cash and due from banks	$ 13,260,440	13,260,440	8,474,181	8,474,181
Federal funds sold	30,000	30,000	–	–
Investments in debt and equity securities	163,645,218	163,645,218	191,866,300	191,866,300
Loans, net	902,052,999	902,750,459	660,317,897	657,244,248
Accrued interest receivable	4,959,629	4,959,629	4,412,330	4,412,330
	$ 1,083,948,286	1,084,645,746	865,070,708	861,997,059
Balance sheet liabilities:				
Deposits	$ 834,576,449	835,683,272	678,597,005	677,989,884
Short-term borrowings	88,324,915	88,324,915	70,462,521	70,462,521
Notes payable to Federal Home Loan Bank	68,000,000	68,419,585	24,300,000	23,824,903
Accrued interest payable	3,656,113	3,656,113	2,739,142	2,739,142
	$ 994,557,477	996,083,885	776,098,668	775,016,450

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Other Short-Term Instruments

For cash and due from banks (including interest-earning deposits in other financial institutions), Federal funds sold, accrued interest receivable (payable), and short-term borrowings, the carrying amount is a reasonable estimate of fair value, as such instruments are due on demand and/or reprice in a short time period.

Investments in Debt and Equity Securities
Fair values are based on quoted market prices or dealer quotes.

Loans
For certain homogeneous categories of loans, such as residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and with the same remaining maturities.

Deposits
The fair value of demand deposits, savings accounts, and interest-bearing transaction account deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Long-Term Borrowings
Rates currently available to the Company with similar terms and remaining maturities are used to estimate the fair value of existing long-term debt.

Commitments to Extend Credit and Standby Letters of Credit
The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties. The Company believes such commitments have been made on terms that are competitive in the markets in which it operates.

NOTE 15 - REGULATORY MATTERS
The Company and Banks are 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Banks must meet specific capital guidelines that involve quantitative measures of the Company's and Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and Banks' 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 Company and Banks to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Reliance Bank, F.S.B. is also required to maintain capital of 8% of average assets for the first three years of its existence. Company management believes that, as of December 31, 2007, the Company and Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2007, the most recent notification from the applicable regulatory authorities categorized the Banks as well capitalized banks under the regulatory framework for prompt corrective action. To be categorized as a well capitalized bank, the Banks must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that Company management believes have changed the Banks' risk categories.

The actual capital amounts and ratios for the Company, Reliance Bank, and Reliance Bank, F.S.B. at December 31, 2007, 2006, and 2005 are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be a Well Capitalized Bank Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in thousands of dollars)					
2007:						
Total capital (to risk-weighted assets)						
Consolidated	**$ 147,640**	**13.58%**	**$ 86,951**	**≥8.0%**	**$ N/A**	**N/A**
Reliance Bank	**108,550**	**10.79%**	**80,510**	**≥8.0%**	**100,637**	**≥10.0%**
Reliance Bank, F.S.B.	**24,891**	**28.43%**	**7,004**	**≥8.0%**	**8,755**	**≥10.0%**
Tier 1 capital (to risk-weighted assets)						
Consolidated	**$ 137,955**	**12.69%**	**$ 43,476**	**≥4.0%**	**$ N/A**	**N/A**
Reliance Bank	**100,205**	**9.96%**	**40,255**	**≥4.0%**	**60,382**	**≥6.0%**
Reliance Bank, F.S.B.	**24,258**	**27.71%**	**3,502**	**≥4.0%**	**5,253**	**≥6.0%**
Tier 1 capital (to average assets)						
Consolidated	**$ 137,955**	**12.68%**	**$ 43,532**	**≥4.0%**	**$ N/A**	**N/A**
Reliance Bank	**100,205**	**9.98%**	**40,147**	**≥4.0%**	**50,184**	**≥5.0%**
Reliance Bank, F.S.B.	**24,258**	**28.13%**	**3,450**	**≥4.0%**	**4,312**	**≥5.0%**
2006:						
Total capital (to risk-weighted assets)						
Consolidated	$ 129,548	17.11%	$ 60,560	≥8.0%	$ N/A	N/A
Reliance Bank	88,735	12.30%	57,696	≥8.0%	72,120	≥10.0%
Reliance Bank, F.S.B.	20,391	59.10%	2,760	≥8.0%	3,451	≥10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 122,446	16.18%	$ 30,280	≥4.0%	$ N/A	N/A
Reliance Bank	82,084	11.38%	28,848	≥4.0%	43,272	≥6.0%
Reliance Bank, F.S.B.	19,959	57.84%	1,380	≥4.0%	2,070	≥6.0%
Tier 1 capital (to average assets)						
Consolidated	$ 122,446	14.20%	$ 34,497	≥4.0%	$ N/A	N/A
Reliance Bank	82,084	10.02%	32,759	≥4.0%	40,948	≥5.0%
Reliance Bank, F.S.B.	19,959	44.37%	1,799	≥4.0%	2,249	≥5.0%

	Actual		For Capital Adequacy Purposes		To Be a Well Capitalized Bank Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in thousands of dollars)					
2005:						
Total capital (to risk-weighted assets)						
Consolidated	$ 97,653	18.03%	$ 43,326	≥8.0%	$ N/A	N/A
Reliance Bank	62,982	11.75%	42,892	≥8.0%	53,615	≥10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 92,440	17.07%	$ 21,663	≥4.0%	$ N/A	N/A
Reliance Bank	57,769	10.77%	21,526	≥4.0%	32,169	≥6.0%
Tier 1 capital (to average assets)						
Consolidated	$ 92,440	13.28%	$ 27,847	≥4.0%	$ N/A	N/A
Reliance Bank	57,769	8.34%	27,701	≥4.0%	34,627	≥5.0%

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (unaudited)

Following is a summary of quarterly financial information for the years ended December 31, 2007, 2006, and 2005:

	First quarter	Second quarter	Third quarter	Fourth quarter	For the year
2007:					
Total interest income	$ 14,562,906	15,600,014	16,515,292	17,185,300	63,863,512
Total interest expense	8,650,584	9,122,711	9,775,314	10,060,439	37,609,048
Net interest income	5,912,322	6,477,303	6,739,978	7,124,861	26,254,464
Provision for possible losses	390,000	500,000	1,515,000	781,500	3,186,500
Noninterest income	388,697	474,025	413,614	522,920	1,799,256
Noninterest expense	4,976,050	5,298,860	5,547,260	6,468,137	22,290,307
Income before applicable income taxes	934,969	1,152,468	91,332	398,144	2,576,913
Applicable income taxes	239,566	317,624	(72,866)	(22,358)	461,966
Net income	$ 695,403	834,844	164,198	420,502	2,114,947
Weighted average shares outstanding:					
Basic	19,573,670	20,475,731	20,654,884	20,650,935	20,342,622
Diluted	20,432,149	21,496,676	21,704,099	21,675,890	21,336,623
Earnings per share:					
Basic	$ 0.04	0.04	0.01	0.02	0.10
Diluted	0.03	0.04	0.01	0.02	0.10

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		First quarter	Second quarter	Third quarter	Fourth quarter	For the year
2006:						
Total interest income	$	10,309,224	11,499,676	12,550,399	13,664,972	48,024,271
Total interest expense		5,356,918	6,116,623	7,033,185	7,720,440	26,227,166
Net interest income		4,952,306	5,383,053	5,517,214	5,944,532	21,797,105
Provision for possible losses		550,000	400,000	525,000	725,000	2,200,000
Noninterest income		175,917	267,417	395,635	408,199	1,247,168
Noninterest expense		3,589,612	4,127,453	4,270,318	4,617,872	16,605,255
Income before applicable income taxes		988,611	1,123,017	1,117,531	1,009,859	4,239,018
Applicable income taxes		309,798	330,444	316,016	266,495	1,222,753
Net income	$	678,813	792,573	801,515	743,364	3,016,265
Weighted average shares outstanding:						
Basic		18,121,742	18,673,925	18,817,498	19,118,288	18,684,762
Diluted		18,921,110	19,542,228	19,705,210	20,023,593	19,548,189
Earnings per share:						
Basic	$	0.04	0.04	0.04	0.04	0.16
Diluted		0.04	0.04	0.04	0.04	0.15
2005:						
Total interest income	$	5,932,717	6,881,687	8,700,619	9,778,171	31,293,194
Total interest expense		2,379,383	3,293,930	4,489,664	5,072,547	15,235,524
Net interest income		3,553,334	3,587,757	4,210,955	4,705,624	16,057,670
Provision for possible losses		449,746	651,753	640,000	591,379	2,332,878
Noninterest income		112,782	119,377	177,813	100,721	510,693
Noninterest expense		2,510,015	2,477,465	3,068,968	3,393,063	11,449,511
Income before applicable income taxes		706,355	577,916	679,800	821,903	2,785,974
Applicable income taxes		230,378	175,261	202,434	254,870	862,943
Net income	$	475,977	402,655	477,366	567,033	1,923,031
Weighted average shares outstanding:						
Basic		15,078,056	15,442,711	16,785,527	17,045,805	16,095,431
Diluted		15,610,734	16,000,959	17,390,012	17,682,279	16,681,322
Earnings per share:						
Basic	$	0.03	0.03	0.03	0.03	0.12
Diluted		0.03	0.03	0.03	0.03	0.12

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

The Board of Directors
Reliance Bancshares, Inc.:

We have reviewed the accompanying consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2007 and March 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the three month periods ended March 31, 2008 and 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of Reliance Bancshares, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Cummings, Ristau & Associates, P.C.

May 5, 2008
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2008 and 2007 and December 31, 2007

		March 31,		December 31,
ASSETS		**2008**	2007	2007
Cash and due from banks	$	**12,309,202**	11,505,031	13,170,564
Interest-earning deposits in other financial institutions		**373,586**	927,921	89,876
Federal funds sold		**86,000**	32,469,579	30,000
Investments in available-for-sale debt and equity securities, at fair value		**178,987,641**	185,586,683	163,645,218
Loans		**993,726,912**	691,304,505	911,960,236
Less - Deferred loan fees/costs		**(296,545)**	(203,888)	(222,226)
Reserve for possible loan losses		**(10,480,988)**	(7,145,153)	(9,685,011)
Net loans		**982,949,379**	683,955,464	902,052,999
Premises and equipment, net		**42,047,101**	32,859,932	42,931,925
Accrued interest receivable		**4,871,789**	4,398,248	4,959,629
Identifiable intangible assets, net of accumulated amortization of $78,725, $62,437 and $74,653 at March 31, 2008 and 2007, and December 31, 2007, respectively		**165,594**	181,882	169,666
Goodwill		**1,149,192**	1,149,192	1,149,192
Other real estate owned		**6,776,894**	3,268,867	4,937,285
Other assets		**4,580,448**	2,260,693	3,016,068
	$	**1,234,296,826**	958,563,492	1,136,152,422
LIABILITIES AND STOCKHOLDERS' EQUITY				
Non-interest-bearing deposits	$	**51,570,641**	42,245,600	53,441,589
Interest-bearing deposits		**848,690,837**	731,448,224	781,134,860
Total deposits		**900,261,478**	773,693,824	834,576,449
Short-term borrowings		**66,436,511**	29,876,869	88,324,915
Notes payable to Federal Home Loan Bank		**119,000,000**	24,300,000	68,000,000
Accrued interest payable		**4,568,720**	3,820,029	3,656,113
Other liabilities		**2,647,546**	1,376,450	1,703,972
Total liabilities		**1,092,914,255**	833,067,172	996,261,449
Commitments and contingencies				
Stockholders' equity:				
Preferred stock, no par value; 2,000,000 shares authorized		—	—	—
Common stock, $0.25 par value; 40,000,000 shares authorized, 20,770,781, 19,667,711 and 20,682,075 shares issued and outstanding at March 31, 2008 and 2007, and December 31, 2007, respectively		**5,192,695**	4,916,928	5,170,519
Surplus		**124,142,315**	111,130,960	123,329,517
Retained earnings		**11,292,404**	9,562,762	10,982,306
Treasury stock, 102,509 shares at March 31, 2008		**(1,271,220)**	—	—
Accumulated other comprehensive income – net unrealized holding gains (losses) on available-for-sale debt securities		**2,026,377**	(114,330)	408,631
Total stockholders' equity		**141,382,571**	125,496,320	139,890,973
	$	**1,234,296,826**	958,563,492	1,136,152,422

See accompanying notes to consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Three Months Ended March 31, 2008 and 2007

	2008	2007
Interest income:		
Interest and fees on loans	$ 16,018,368	12,172,011
Interest on debt and equity securities:		
Taxable	1,574,638	1,826,899
Exempt from Federal income taxes	397,474	360,726
Interest on short-term investments	94,954	203,270
Total interest income	18,085,434	14,562,906
Interest expense:		
Interest on deposits	8,732,155	7,893,781
Interest on short-term borrowings	579,273	353,464
Interest on notes payable to Federal Home Loan Bank	884,877	403,339
Total interest expense	10,196,305	8,650,584
Net interest income	7,889,129	5,912,322
Provision for possible loan losses	1,132,000	390,000
Net interest income after provision for possible loan losses	6,757,129	5,522,322
Noninterest income:		
Service charges on deposit accounts	175,819	110,231
Net gains on sale of debt and equity securities	194,015	—
Other noninterest income	311,824	278,466
Total noninterest income	681,658	388,697
Noninterest expense:		
Salaries and employee benefits	4,207,567	2,988,712
Occupancy and equipment expense	1,067,116	804,914
Data processing	442,279	320,996
Advertising	210,870	152,467
Postage, printing and supplies	116,302	132,833
Professional fees	160,904	109,143
Amortization of intangible assets	4,072	4,072
Other noninterest expenses	870,479	462,913
Total noninterest expense	7,079,589	4,976,050
Income before applicable income taxes	359,198	934,969
Applicable income tax expense	49,100	239,566
Net income	$ 310,098	695,403
Per share amounts:		
Basic earnings per share	$ 0.02	0.04
Basic weighted average shares outstanding	20,668,304	19,573,670
Diluted earnings per share	$ 0.01	0.03
Diluted weighted average shares outstanding	21,220,572	20,432,149

See accompanying notes to consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Three Months ended March 31, 2008 and 2007

	2008	2007
Net income	$ 310,098	695,403
Other comprehensive income before tax:		
Unrealized holding gains on available-for-sale securities	2,645,145	290,236
Less reclassification adjustment on available-for-sale security gains included in net income	(194,015)	—
Other comprehensive income before tax	2,451,130	290,236
Income tax related to items of other comprehensive income	833,384	98,680
Other comprehensive income, net of tax	1,617,746	191,556
Total comprehensive income	$ 1,927,844	886,959

See accompanying notes to consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2008 and 2007

	Common stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total stock-holders' equity
Balance at December 31, 2006	$ 4,892,812	110,042,307	8,867,359	—	(305,886)	123,496,592
Net income	—	—	695,403	—	—	695,403
Issuance of 54,400 shares of common stock	13,600	666,368	—	—	—	679,968
Stock options exercised – 38,000 shares	9,500	250,000	—	—	—	259,500
Treasury stock purchased – 28,000 shares	—	—	—	(277,400)	—	(277,400)
Treasury stock sold – 28,000 shares	—	72,600	—	277,400	—	350,000
Issuance of 4,063 shares of common stock in connection with Employee Stock Purchase Plan	1,016	42,154	—	—	—	43,170
Stock issuance costs	—	(12,704)	—	—	—	(12,704)
Stock option expense	—	70,235	—	—	—	70,235
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	191,556	191,556
Balance at March 31, 2007	$ 4,916,928	111,130,960	9,562,762	—	(114,330)	125,496,320
Balance at December 31, 2007	$ 5,170,519	123,329,517	10,982,306	—	408,631	139,890,973
Net income	—	—	310,098	—	—	310,098
Stock options exercised – 88,704 shares	22,176	627,140	—	—	—	649,316
Treasury stock purchased – 105,324 shares	—	—	—	(1,305,000)	—	(1,305,000)
Issuance of 2,565 shares of common stock as partial payment for certain operating leases	—	(5,771)	—	30,780	—	25,009
250 shares of common stock awarded to directors	—	(30)	—	3,000	—	2,970
Stock option expense	—	145,387	—	—	—	145,387
Amortization of restricted stock	—	46,072	—	—	—	46,072
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	1,617,746	1,617,746
Balance at March 31, 2008	$ 5,192,695	124,142,315	11,292,404	(1,271,220)	2,026,377	141,382,571

See accompanying notes to consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Three Months ended March 31, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Net income	$	310,098	695,403
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		310,761	325,274
Provision for possible loan losses		1,132,000	390,000
Decrease in accrued interest receivable		87,840	14,082
Increase in accrued interest payable		912,607	1,080,887
Net gains on sale of debt and equity securities		(194,015)	—
Capitalized interest expense on construction		(73,930)	(102,725)
Stock option compensation cost		145,387	70,235
Common stock awarded to directors		2,970	—
Amortization of restricted stock expense		46,072	—
Mortgage loans originated for sale in the secondary market		(7,337,316)	—
Mortgage loans sold in secondary market		5,755,575	—
Other operating activities, net		854,593	421,107
Net cash provided by operating activities		1,952,642	2,894,263
Cash flows from investing activities:			
Purchase of available-for-sale debt and equity securities		(63,210,015)	(2,723,446)
Proceeds from maturities and calls of available-for-sale debt securities		34,793,678	7,963,418
Proceeds from sales of available-for-sale debt securities		15,944,015	1,375,500
Net increase in loans		(82,239,460)	(26,471,434)
Construction expenditures to finish other real estate owned		(46,787)	—
Purchase of premises and equipment		(1,856,666)	(2,163,652)
Net cash used in investing activities		(96,615,235)	(22,019,614)
Cash flows from financing activities:			
Net increase in deposits		65,685,029	95,096,819
Net decrease in short-term borrowings		(21,888,404)	(40,585,652)
Proceeds from notes payable to Federal Home Loan Bank		51,000,000	—
Issuance of common stock		—	1,073,138
Stock options exercised		649,316	259,500
Purchase of treasury stock		(1,305,000)	(277,400)
Payment of stock issuance costs		—	(12,704)
Net cash provided by financing activities		94,140,941	55,553,701
Net increase (decrease) in cash and cash equivalents		(521,652)	36,428,350
Cash and cash equivalents at beginning of period		13,290,440	8,474,181
Cash and cash equivalents at end of period	$	12,768,788	44,902,531
Supplemental information:			
Cash paid for interest	$	9,357,627	7,672,422
Noncash transactions:			
Transfers to other real estate in settlement of loans		1,792,822	2,443,867
Capitalized interest expense on construction		73,930	102,725
Stock option compensation cost		145,387	70,235
Common stock awarded to directors		2,970	—
Amortization of restricted stock expense		46,072	—
Stock issued for operating lease payments		25,009	—

See accompanying notes to consolidated financial statements and accountants' review report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida through its wholly-owned subsidiaries, Reliance Bank and Reliance Bank, F.S.B. (hereinafter referred to as "the Banks").

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and southwestern Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses, valuation of other real estate owned and stock options, and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Operating results for the three month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2007.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners.

Cash Flow Information
For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Stock Issuance Costs
The Company incurs certain costs associated with the issuance of its common stock. Such costs were recorded as a reduction of equity capital.

New Accounting Standards
In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* an Interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes.* FASB Interpretation No. 48 (FIN 48) clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective and was implemented in 2007 by the Company; however, Company management believes that the Company maintains no uncertain tax positions for tax reporting purposes, and, accordingly, no FIN 48 liability is required to be recorded.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (FAS 157) and Statement of Financial Accounting Standards No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS No. 159). In accordance with the FASB Staff Position 157-2, *Effective Date of SFAS No. 157*, the Company has not applied the provisions of FAS No. 157 to nonfinancial assets and nonfinancial liabilities such as other real estate owned and goodwill. The Company uses fair value measurements to determine fair value disclosures.

The following is a description of valuation methodologies used for assets recorded at fair value:

Investments in Available-For-Sale Debt Securities – Investments in available-for-sale debt securities are recorded at fair value on a recurring basis. The Company's available-for sale debt securities are measured at fair value using Level 2 valuations. The market evaluation utilizes several sources which include observable inputs rather than "significant unobservable inputs" and, therefore, fall into the Level 2 category. The table below presents the balances of available-for sale debt securities measured at fair value on a recurring basis:

Obligations of U.S. Government agencies and corporations	$ 62,428,399
Obligations of state and political subdivisions	39,326,485
Other debt securities	6,837,470
Mortgage-backed securities	62,834,475
	$ 171,426,829

Loans – The Company does not record loans at fair value on a recurring basis other than loans that are considered impaired. Once a loan is identified as impaired, management measures impairment in accordance with Statement of Financial Accounting Standards No. 114, *Accounting by Creditors for Impairment of a Loan.* At March 31, 2008, all impaired loans were evaluated based on the fair value of the collateral. The fair value of the collateral is based upon an observable market price or current appraised value, and, therefore, the Company classifies these assets in the nonrecurring Level 2 category. The total principal balance of impaired loans measured at fair value at March 31, 2008 was $21,110,088.

Earnings per Share
Basic earnings per share data is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of earnings per share which could occur under the treasury stock method if contracts to issue common stock, such as stock options, were exercised. The following table presents a summary of per share data and amounts for the periods indicated.

	Three-Months Ended March 31,	
	2008	2007
Basic		
Net income	$ 310,098	695,403
Weighted average common shares outstanding	20,668,304	19,573,670
Basic earnings per share	$ 0.02	0.04
Diluted		
Net income	$ 310,098	695,403
Weighted average common shares outstanding	20,668,304	19,573,670
Effect of dilutive stock options	552,268	858,479
Diluted weighted average common shares outstanding	21,220,572	20,432,149
Diluted earnings per share	$ 0.01	0.03

NOTE 2 – INTANGIBLE ASSETS
Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at March 31, 2008 will be $4,072 per quarter until completely amortized.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. No impairment writedown has thusfar been required on this intangible asset.

NOTE 3 – STOCK OPTIONS
The Company maintains various stock option plans. Prior to 2006, the Company applied the intrinsic value-based method, as outlined in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* (APB 25) and related interpretations, in accounting for stock options granted under these plans. Under the intrinsic value-based method, no compensation expense was recognized if the exercise price of the Company's employee stock options was equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, prior to 2006, no compensation cost was recognized in the consolidated statements of income for stock options granted to employees, since all

options granted under the Company's stock option plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) (FAS 123R) *Share-based Payments*. This statement replaces FAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB 25. FAS 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the grant date fair value for all equity classified awards. The Company adopted this statement using the modified prospective method, which requires the Company to recognize compensation expense on a prospective basis for all outstanding unvested awards. Therefore, prior period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for share-based awards granted after the adoption date, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods.

Based on the valuation and accounting uncertainties that outstanding options presented under proposed accounting treatment at the time, the Board of Directors accelerated the vesting of substantially all of the Company's outstanding stock options during the fourth quarter of 2005. This action resulted in the remaining fair value of substantially all of the outstanding stock options being recognized in 2005 as part of the pro-forma disclosures in previous periods.

The weighted average fair values of options granted during the first quarters of 2008 and 2007 were $3.37 and $2.96, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. In using the Black-Scholes option pricing model to value the options, several assumptions have been made in arriving at the estimated fair value of the options granted during the first quarters of 2008 and 2007, including minimal or no volatility in the Company's common stock price, no dividends paid on the common stock, an expected weighted average option life of 10.0 and 6.0 years for options granted in 2008 and 2007, respectively, and a risk-free interest rate approximating the U.S. Treasury rate for the applicable duration period. Any change in these assumptions could have a significant impact on the effects of determining compensation costs.

Following is a summary of the Company's stock option activity for the three-month periods ended March 31, 2008 and 2007:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Three-Months Ended March 31, 2007:				
Balance at December 31, 2006	$ 6.57	1,648,200	$ 6.63	576,000
Granted	12.50	101,000	—	—
Forfeited	12.50	(2,000)	—	—
Exercised	6.72	(30,000)	7.25	(8,000)
Balance at March 31, 2007	$ 6.91	1,717,200	$ 6.62	568,000

Three-Months Ended March 31, 2008:				
Balance at December 31, 2007	**$ 7.31**	**1,648,200**	**$ 8.41**	**701,000**
Granted	**14.12**	**73,000**	**15.26**	**5,000**
Exercised	**7.32**	**(88,704)**	**—**	**—**
Balance at March 31, 2008	**$ 7.61**	**1,632,496**	**$ 8.45**	**706,000**

The weighted average option prices for the 2,338,496 and 2,285,200 options outstanding at March 31, 2008 and 2007, were $7.87 and $6.84, respectively. At March 31, 2008, options to purchase an additional 428,700 shares of Company common stock were available for future grants under the various plans.

NOTE 4 – DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at March 31, 2008:

Financial instruments for which contractual amounts represent:	
Commitments to extend credit	**$ 280,380,806**
Standby letters of credit	**14,316,955**
	$ 294,697,761

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. Of the total commitments to extend credit at March 31, 2008, $111,609,466 was made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party, for which draw requests have historically not been made thereon. Such guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

The Board of Directors
Reliance Bancshares, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2007 and June 30, 2008 and 2007, and the related condensed consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the three and six month periods ended June 30, 2008 and 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these condensed consolidated financial statements is the representation of the management of Reliance Bancshares, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Cummings, Ristau & Associates, P.C.

July 30, 2008
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

June 30, 2008 and 2007 and December 31, 2007

ASSETS	June 30, 2008	June 30, 2007	December 31, 2007
Cash and due from banks	$ **18,554,276**	11,392,861	13,170,564
Interest-earning deposits in other financial institutions	**285,033**	712,869	89,876
Federal funds sold	**112,000**	6,229,171	30,000
Investments in available-for-sale debt and equity securities, at fair value	**171,290,667**	175,840,325	163,645,218
Loans	**1,115,579,839**	763,126,477	911,960,236
Less - Deferred loan fees/costs	**(689,223)**	(174,024)	(222,226)
Reserve for possible loan losses	**(12,682,420)**	(7,537,171)	(9,685,011)
Net loans	**1,102,208,196**	755,415,282	902,052,999
Premises and equipment, net	**44,827,825**	39,547,343	42,931,925
Accrued interest receivable	**5,008,066**	4,559,014	4,959,629
Identifiable intangible assets, net of accumulated amortization of $82,797, $66,509 and $74,653 at June 30, 2008 and 2007, and December 31, 2007, respectively	**161,522**	177,810	169,666
Goodwill	**1,149,192**	1,149,192	1,149,192
Other real estate	**10,802,316**	1,632,579	4,937,285
Other assets	**8,075,773**	3,236,870	3,016,068
	$ **1,362,474,866**	999,893,316	1,136,152,422
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Non-interest-bearing	$ **59,608,559**	47,578,758	53,441,589
Interest-bearing	**912,793,445**	735,356,546	781,134,860
Total deposits	**972,402,004**	782,935,304	834,576,449
Short-term borrowings	**104,488,569**	39,498,316	88,324,915
Notes payable to Federal Home Loan Bank	**142,000,000**	35,000,000	68,000,000
Accrued interest payable	**4,364,492**	3,381,756	3,656,113
Other liabilities	**3,209,986**	2,091,763	1,703,972
Total liabilities	**1,226,465,051**	862,907,139	996,261,449
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, no par value; 2,000,000 shares authorized	—	—	—
Common stock, $0.25 par value; 40,000,000 shares authorized, 20,770,781, 20,641,615, and 20,682,075 shares issued and outstanding at June 30, 2008 and 2007, and December 31, 2007, respectively	**5,192,695**	5,160,404	5,170,519
Surplus	**124,301,338**	122,939,690	123,329,517
Retained earnings	**8,921,852**	10,397,606	10,982,306
Treasury stock, at cost - 94,954 shares at June 30, 2008	**(1,180,560)**	—	—
Accumulated other comprehensive income – net unrealized holding (losses) gains on available-for-sale debt securities	**(1,225,510)**	(1,511,523)	408,631
Total stockholders' equity	**136,009,815**	136,986,177	139,890,973
	$ **1,362,474,866**	999,893,316	1,136,152,422

See accompanying notes to interim condensed consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

Three and Six Months Ended June 30, 2008 and 2007

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income:				
Interest and fees on loans	$ **16,796,847**	13,231,459	**32,815,215**	25,403,470
Interest and dividends on debt and equity securities:				
Taxable	**1,595,361**	1,759,408	**3,169,999**	3,586,307
Exempt from Federal income taxes	**391,394**	382,050	**788,868**	742,776
Interest on short-term investments	**20,904**	227,097	**115,858**	430,367
Total interest income	**18,804,506**	15,600,014	**36,889,940**	30,162,920
Interest expense:				
Interest on deposits	**8,303,576**	8,454,275	**17,035,731**	16,348,056
Interest on short-term borrowings	**529,816**	361,469	**1,109,089**	854,318
Interest on notes payable to Federal Home Loan Bank	**1,202,776**	306,967	**2,087,653**	570,921
Total interest expense	**10,036,168**	9,122,711	**20,232,473**	17,773,295
Net interest income	**8,768,338**	6,477,303	**16,657,467**	12,389,625
Provision for possible loan losses	**5,607,000**	500,000	**6,739,000**	890,000
Net interest income after provision for possible loan losses	**3,161,338**	5,977,303	**9,918,467**	11,499,625
Noninterest income:				
Service charges on deposit accounts	**197,178**	130,852	**372,997**	241,083
Net gains (losses) on sale of debt and equity securities	**118,118**	(7,026)	**312,133**	(7,026)
Other noninterest income	**408,629**	350,199	**720,453**	628,665
Total noninterest income	**723,925**	474,025	**1,405,583**	862,722
Noninterest expense:				
Salaries and employee benefits	**4,260,926**	3,019,214	**8,408,544**	6,007,926
Occupancy and equipment expense	**1,095,976**	771,515	**2,163,092**	1,576,429
Postage, printing and supplies	**128,045**	114,208	**244,347**	247,041
Professional fees	**186,188**	116,902	**347,092**	226,045
Data processing	**443,279**	334,616	**885,558**	655,612
Advertising	**290,711**	147,489	**501,581**	299,956
Amortization of identifiable intangible assets	**4,072**	4,072	**8,144**	8,144
Other noninterest expenses	**1,361,228**	790,844	**2,291,656**	1,253,757
Total noninterest expense	**7,770,425**	5,298,860	**14,850,014**	10,274,910
(Loss) income before applicable income taxes	**(3,885,162)**	1,152,468	**(3,525,964)**	2,087,437
Applicable income tax (benefit) expense	**(1,514,610)**	317,624	**(1,465,510)**	557,190
Net (loss) income	$ **(2,370,552)**	834,844	**(2,060,454)**	1,530,247
Per share amounts:				
Basic (loss) earnings per share	$ **(0.11)**	0.04	**(0.10)**	0.08
Basic weighted average shares outstanding	**20,673,419**	20,475,731	**20,650,862**	20,027,192
Diluted (loss) earnings per share	$ **(0.11)**	0.04	**(0.10)**	0.07
Diluted weighted average shares outstanding	**21,119,050**	21,496,676	**21,149,790**	20,985,254

See accompanying notes to interim condensed consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Six Months Ended June 30, 2008 and 2007

	2008	2007
Net (loss) income	$ **(2,060,454)**	1,530,247
Other comprehensive loss before tax:		
Net unrealized losses on available-for-sale securities	**(2,163,838)**	(1,833,749)
Reclassification adjustment for (gains) losses included in net income	**(312,133)**	7,026
Other comprehensive loss before tax	**(2,475,971)**	(1,826,723)
Income tax related to items of other comprehensive loss	**(841,830)**	(621,086)
Other comprehensive loss, net of tax	**(1,634,141)**	(1,205,637)
Total comprehensive (loss) income	$ **(3,694,595)**	324,610

See accompanying notes to interim condensed consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

Six Months Ended June 30, 2008 and 2007

	Common stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total stock-holders' equity
Balance at December 31, 2006	$ 4,892,812	110,042,307	8,867,359	—	(305,886)	123,496,592
Net income	—	—	1,530,247	—	—	1,530,247
Issuance of 1,053,567 shares of common stock	246,392	12,258,096	—	689,400	—	13,193,888
Stock options exercised – 84,000 shares	21,000	485,500	—	—	—	506,500
Treasury stock purchased – 68,000 shares	—	—	—	(689,400)	—	(689,400)
800 shares of common stock awarded to directors	200	9,800	—	—	—	10,000
Stock issuance costs	—	(24,930)	—	—	—	(24,930)
Stock option expense	—	168,917	—	—	—	168,917
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	(1,205,637)	(1,205,637)
Balance at June 30, 2007	$ 5,160,404	122,939,690	10,397,606	—	(1,511,523)	136,986,177
Balance at December 31, 2007	$ 5,170,519	123,329,517	10,982,306	—	408,631	139,890,973
Net loss	—	—	(2,060,454)	—	—	(2,060,454)
Issuance of 4,409 shares of common stock from treasury	—	(8,862)	—	52,908	—	44,046
Stock options exercised – 91,000 shares	22,176	614,656	—	27,552	—	664,384
Treasury stock purchased – 105,324 shares	—	—	—	(1,305,000)	—	(1,305,000)
Issuance of 2,565 shares of common stock as partial payment for certain operating leases	—	(5,771)	—	30,780	—	25,009
1,100 shares of common stock awarded to directors	—	(1,739)	—	13,200	—	11,461
Stock option expense	—	292,127	—	—	—	292,127
Amortization of restricted stock	—	81,410	—	—	—	81,410
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	(1,634,141)	(1,634,141)
Balance at June 30, 2008	$ 5,192,695	124,301,338	8,921,852	(1,180,560)	(1,225,510)	136,009,815

See accompanying notes to interim condensed consolidated financial statements.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

Six Months Ended June 30, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Net (loss) income	$	**(2,060,454)**	1,530,247
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		**907,545**	723,738
Provision for possible loan losses		**6,739,000**	890,000
Capitalized interest expense on construction		**(85,984)**	(269,184)
Stock option compensation cost		**292,127**	168,917
Common stock awarded to directors		**11,461**	10,000
Amortization of restricted stock expense		**81,410**	—
Losses (gains) on sale of other real estate		**13,921**	(19,972)
Net (gains) losses on sale of debt and equity securities		**(312,133)**	7,026
Increase in accrued interest receivable		**(48,437)**	(146,684)
Increase in accrued interest payable		**708,379**	642,614
Mortgage loans originated for sale in secondary market		**(13,428,566)**	(4,153,800)
Mortgage loans sold in secondary market		**13,236,216**	4,089,300
Other operating activities, net		**(91,688)**	607,984
Net cash provided by operating activities		**5,962,797**	4,080,186
Cash flows from investing activities:			
Purchase of available-for-sale debt and equity securities		**(74,121,826)**	(6,276,933)
Proceeds from maturities and calls of available-for-sale debt securities		**41,490,364**	16,057,125
Proceeds from sales of available-for-sale debt securities		**23,037,133**	4,508,333
Net increase in loans		**(213,490,713)**	(98,708,131)
Proceeds from sale of other real estate owned		**647,091**	2,273,550
Construction expenditures to finish other real estate		**(48,568)**	—
Purchase of bank premises and equipment		**(5,315,182)**	(9,170,590)
Proceeds from sale of bank premises and equipment		**107,134**	37,028
Net cash used in investing activities		**(227,694,567)**	(91,279,618)
Cash flows from financing activities:			
Net increase in deposits		**137,825,555**	104,338,299
Increase (decrease) in short-term borrowings		**16,163,654**	(30,964,205)
Proceeds from notes payable to Federal Home Loan Bank		**86,000,000**	15,000,000
Payments of notes payable to Federal Home Loan Bank		**(12,000,000)**	(4,300,000)
Purchase of treasury stock		**(1,305,000)**	(689,400)
Stock options exercised		**664,384**	506,500
Issuance of common stock		**44,046**	13,193,888
Payment of stock issuance costs		**—**	(24,930)
Net cash provided by financing activities		**227,392,639**	97,060,152
Net increase in cash and cash equivalents		**5,660,869**	9,860,720
Cash and cash equivalents at beginning of period		**13,290,440**	8,474,181
Cash and cash equivalents at end of period	$	**18,951,309**	18,334,901
Supplemental information:			
Cash paid for interest	$	**19,610,078**	17,773,295
Cash paid for income taxes		**425,000**	566,000
Noncash transactions:			
Transfers to other real estate in settlement of loans		**6,788,866**	3,061,158
Loans made to facilitate the sale of other real estate		**—**	275,912
Capitalized interest expense		**85,984**	269,184
Common stock awarded to directors		**11,461**	10,000
Stock option compensation cost		**292,127**	168,917
Amortization of restricted stock expense		**81,410**	—
Stock issued for operating lease payments		**25,009**	—

See accompanying notes to interim condensed consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida through its wholly-owned subsidiaries, Reliance Bank and Reliance Bank, F.S.B. (hereinafter referred to as the Banks).

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and southwestern Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses, valuation of other real estate owned and stock options, and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Operating results for the three and six-month periods ended June 30, 2008 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2007 filed with the Company's 2007 Annual Report on Form 10-K.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners.

Cash Flow Information
For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Stock Issuance Costs
The Company incurs certain costs associated with the issuance of its common stock. Such costs were recorded as a reduction of equity capital.

New Accounting Standards
In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an Interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FASB Interpretation No. 48 (FIN 48) clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective and was implemented in 2007 by the Company; however, Company management believes that the Company maintains no uncertain tax positions for tax reporting purposes, and, accordingly, no FIN 48 liability is required to be recorded.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (FAS No. 157) and Statement of Financial Accounting Standards No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS No. 159). In accordance with the FASB Staff Position 157-2, *Effective Date of SFAS No. 157*, the Company has not applied the provisions of FAS No. 157 to nonfinancial assets and nonfinancial liabilities such as other real estate owned and goodwill. The Company uses fair value measurements to determine fair value disclosures.

The following is a description of valuation methodologies used for assets recorded at fair value:

Investments in Available-For-Sale Debt Securities – Investments in available-for-sale debt securities are recorded at fair value on a recurring basis. The Company's available-for sale debt securities are measured at fair value using Level 2 valuations. The market evaluation utilizes several sources which include observable inputs rather than "significant unobservable inputs" and, therefore, fall into the Level 2 category. The table below presents the balances of available-for sale debt securities measured at fair value on a recurring basis:

Obligations of U.S. Government agencies and corporations	$ 51,512,730
Obligations of state and political subdivisions	38,705,470
Other debt securities	6,469,439
Mortgage-backed securities	64,330,151
	$ 161,017,790

Loans – The Company does not record loans at fair value on a recurring basis other than loans that are considered impaired. Once a loan is identified as impaired, management measures impairment in accordance with Statement of Financial Accounting Standards No. 114, *Accounting by Creditors for Impairment of a Loan.* At June 30, 2008, all impaired loans were evaluated based on the fair value of the collateral. The fair value of the collateral is based upon an observable market price or current appraised value, and, therefore, the Company classifies these assets in the nonrecurring Level 2 category. The total principal balance of impaired loans measured at fair value at June 30, 2008 was $15,161,825.

Earnings per Share
Basic earnings per share data is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of earnings per share which could occur under the treasury stock method if contracts to issue common stock, such as stock options, were exercised. The following table presents a summary of per share data and amounts for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Basic				
Net (loss) income	$ (2,370,552)	834,844	(2,060,454)	1,530,247
Weighted average common shares outstanding	20,673,419	20,475,731	20,650,862	20,027,192
Basic (loss) earnings per share	$ (0.11)	0.04	(0.10)	0.08
Diluted				
Net (loss) income	$ (2,370,552)	834,844	(2,060,454)	1,530,247
Weighted average common shares outstanding	20,673,419	20,475,731	20,650,862	20,027,192
Effect of dilutive stock options	445,631	1,020,945	498,928	958,062
Diluted weighted average common shares outstanding	21,119,050	21,496,676	21,149,790	20,985,254
Diluted (loss) earnings per share	$ (0.11)	0.04	(0.10)	0.07

NOTE 2 – INTANGIBLE ASSETS

Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at June 30, 2008 will be $4,072 per quarter until completely amortized.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. No impairment writedown has thusfar been required on this intangible asset.

NOTE 3 – STOCK OPTIONS

The Company maintains various stock option plans. Prior to 2006, the Company applied the intrinsic value-based method, as outlined in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, (APB 25) and related interpretations, in accounting for stock options granted under these plans. Under the intrinsic value-based method, no compensation expense was recognized if the exercise price of the Company's employee stock options was equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, prior to 2006, no compensation cost was recognized in the consolidated statements of income for stock options granted to employees, since all options granted under the Company's stock option plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) (FAS 123R) *Share-based Payments.* This statement replaces FAS No. 123, *Accounting for Stock-Based Compensation,* and supersedes APB 25. FAS 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the grant date fair value for all equity classified awards. The Company adopted this statement using the modified prospective method, which requires the Company to recognize compensation expense on a prospective basis for all outstanding unvested awards. Therefore, prior period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for share-based awards granted after the adoption date, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods.

Based on the valuation and accounting uncertainties that outstanding options presented under proposed accounting treatment at the time, the Board of Directors accelerated the vesting of substantially all of the Company's outstanding stock options during the fourth quarter of 2005. This action resulted in the remaining fair value of substantially all of the outstanding stock options being recognized in 2005 as part of the pro-forma disclosures in previous periods.

The weighted average fair values of options granted during the first six months of 2008 and 2007 were $3.38 and $3.79, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. In using the Black-Scholes option pricing model to value the options, several assumptions have been made in arriving at the estimated fair value of the options granted during the first six months of 2008 and 2007, including minimal or no volatility in the Company's common stock price, no dividends paid on the common stock, an expected weighted average option life of 6.0 years for options granted in 2008 and 2007, and a risk-free interest rate approximating the U.S. Treasury rates for the applicable duration period. Any change in these assumptions could have a significant impact on the effects of determining compensation costs.

Following is a summary of the Company's stock option activity for the six-month periods ended June 30, 2008 and 2007:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Six Months Ended June 30, 2007:				
Balance at December 31, 2006	$ 6.57	1,648,200	$ 6.63	576,000
Granted	12.94	131,500	16.38	125,000
Forfeited	11.67	(4,500)	4.85	(5,000)
Exercised	5.86	(74,000)	7.25	(10,000)
Balance at June 30, 2007	$ 7.08	1,701,200	$ 8.41	686,000
Six Months Ended June 30, 2008:				
Balance at December 31, 2007	**$ 7.31**	**1,648,200**	**$ 8.41**	**701,000**
Granted	**13.91**	**76,500**	**11.16**	**16,000**
Forfeited	**12.50**	**(5,000)**	**—**	**—**
Exercised	**7.30**	**(91,000)**	**—**	**—**
Balance at June 30, 2008	**$ 7.60**	**1,628,700**	**$ 8.47**	**717,000**

The weighted average option prices for the 2,345,700 and 2,387,200 options outstanding at June 30, 2008 and 2007, were $7.87 and $7.46, respectively. At June 30, 2008, options to purchase an additional 419,200 shares of Company common stock were available for future grants under the various plans.

NOTE 4 – DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at June 30, 2008:

Financial instruments for which contractual amounts represent:	
Commitments to extend credit	**$ 326,451,351**
Standby letters of credit	**26,404,905**
	$ 352,856,256

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. Of the total commitments to extend credit at June 30, 2008, $94,395,555 was made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party, for which draw requests have historically not been made thereon. Such guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

The Board of Directors
Reliance Bancshares, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Reliance Bancshares, Inc. and subsidiaries as of December 31, 2007 and September 30, 2008 and 2007, and the related condensed consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the three and nine month periods ended September 30, 2008 and 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these condensed consolidated financial statements is the representation of the management of Reliance Bancshares, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Cummings, Ristau & Associates, P.C.

November 5, 2008
St. Louis, Missouri

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

September 30, 2008 and 2007 and December 31, 2007

	September 30, 2008	September 30, 2007	December 31, 2007
ASSETS			
Cash and due from banks	$ **12,717,479**	10,836,678	13,170,564
Interest-earning deposits in other financial institutions	**2,041,867**	98,598	89,876
Federal funds sold	—	39,000	30,000
Investments in available-for-sale debt and equity securities, at fair value	**178,331,285**	172,829,382	163,645,218
Loans	**1,225,166,080**	839,091,832	911,960,236
Less - Deferred loan fees/costs	**(893,553)**	(269,909)	(222,226)
Reserve for possible loan losses	**(12,398,957)**	(8,890,557)	(9,685,011)
Net loans	**1,211,873,570**	829,931,366	902,052,999
Premises and equipment, net	**44,491,084**	41,032,014	42,931,925
Accrued interest receivable	**5,442,661**	5,179,664	4,959,629
Identifiable intangible assets, net of accumulated amortization of $86,869, $70,581 and $74,653 at September 30, 2008 and 2007, and December 31, 2007, respectively	**157,450**	173,738	169,666
Goodwill	**1,149,192**	1,149,192	1,149,192
Other real estate	**11,653,385**	1,612,286	4,937,285
Other assets	**8,271,407**	3,137,029	3,016,068
	$ **1,476,129,380**	1,066,018,947	1,136,152,422
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Non-interest-bearing	$ **54,401,841**	46,139,342	53,441,589
Interest-bearing	**1,042,132,382**	753,325,445	781,134,860
Total deposits	**1,096,534,223**	799,464,787	834,576,449
Short-term borrowings	**86,214,611**	72,320,906	88,324,915
Notes payable to Federal Home Loan Bank	**149,000,000**	50,000,000	68,000,000
Accrued interest payable	**4,239,781**	3,122,877	3,656,113
Other liabilities	**3,581,183**	2,451,928	1,703,972
Total liabilities	**1,339,569,798**	927,360,498	996,261,449
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, no par value; 2,000,000 shares authorized	—	—	—
Common stock, $0.25 par value; 40,000,000 shares authorized, 20,770,781, 20,660,116, and 20,682,075 shares issued and outstanding at September 30, 2008 and 2007, and December 31, 2007, respectively	**5,192,695**	5,165,029	5,170,519
Surplus	**124,315,888**	123,258,544	123,329,517
Retained earnings	**9,772,943**	10,561,804	10,982,306
Treasury stock, at cost – 76,948 and 9,396 shares at September 30, 2008 and 2007, respectively	**(964,488)**	(112,752)	—
Accumulated other comprehensive income – net unrealized holding (losses) gains on available-for-sale debt securities	**(1,757,456)**	(214,176)	408,631
Total stockholders' equity	**136,559,582**	138,658,449	139,890,973
	$ **1,476,129,380**	1,066,018,947	1,136,152,422

See accompanying notes to interim condensed consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

Three and Nine Months Ended September 30, 2008 and 2007

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest income:				
Interest and fees on loans	$ 18,669,323	14,451,420	51,484,539	39,854,890
Interest and dividends on debt and equity securities:				
Taxable	1,636,351	1,636,356	4,806,351	5,222,663
Exempt from Federal income taxes	387,887	392,948	1,176,754	1,135,724
Interest on short-term investments	51,471	34,568	162,797	464,935
Total interest income	20,745,032	16,515,292	57,630,441	46,678,212
Interest expense:				
Interest on deposits	8,662,923	8,536,764	25,694,396	24,884,820
Interest on short-term borrowings	571,906	751,558	1,680,996	1,605,876
Interest on notes payable to Federal Home Loan Bank	1,375,939	486,992	3,463,592	1,057,913
Total interest expense	10,610,768	9,775,314	30,838,984	27,548,609
Net interest income	10,134,264	6,739,978	26,791,457	19,129,603
Provision for possible loan losses	1,800,000	1,515,000	8,539,000	2,405,000
Net interest income after provision for possible loan losses	8,334,264	5,224,978	18,252,457	16,724,603
Noninterest income:				
Service charges on deposit accounts	209,682	120,743	582,678	361,826
Net gains (losses) on sale of debt and equity securities	117	-	312,250	(7,026)
Other noninterest income	374,521	292,871	1,095,250	921,536
Total noninterest income	584,320	413,614	1,990,178	1,276,336
Noninterest expense:				
Salaries and employee benefits	4,219,635	3,258,328	12,628,179	9,266,254
Occupancy and equipment expense	1,212,522	827,839	3,375,614	2,404,268
Postage, printing and supplies	113,098	120,988	357,444	368,029
Professional fees	124,152	121,126	471,245	347,171
Data processing	473,512	393,291	1,359,070	1,048,903
Advertising	289,770	194,365	791,351	494,321
Amortization of identifiable intangible assets	4,072	4,072	12,216	12,216
Other noninterest expenses	1,364,110	627,251	3,655,767	1,881,008
Total noninterest expense	7,800,871	5,547,260	22,650,886	15,822,170
Income (loss) before applicable income taxes	1,117,713	91,332	(2,408,251)	2,178,769
Applicable income tax (benefit) expense	266,621	(72,866)	(1,198,888)	484,324
Net income (loss)	$ 851,092	164,198	(1,209,363)	1,694,445
Per share amounts:				
Basic earnings (loss) per share	$ 0.04	0.01	(0.06)	0.08
Basic weighted average shares outstanding	20,687,321	20,654,884	20,656,388	20,238,722
Diluted earnings (loss) per share	$ 0.04	0.01	(0.06)	0.08
Diluted weighted average shares outstanding	20,920,384	21,704,099	21,048,143	21,224,967

See accompanying notes to interim condensed consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

Nine Months Ended September 30, 2008 and 2007

	2008	2007
Net income (loss)	$ (1,209,363)	1,694,445
Other comprehensive income (loss) before tax:		
Net unrealized gains (losses) on available-for-sale securities	(3,594,200)	131,929
Reclassification adjustment for losses (gains) included in net income	(312,250)	7,026
Other comprehensive income (loss) before tax	(3,281,950)	138,955
Income tax related to items of other comprehensive income (loss)	(1,115,863)	47,245
Other comprehensive income (loss), net of tax	(2,166,087)	91,710
Total comprehensive income (loss)	$ (3,375,450)	1,786,155

See accompanying notes to interim condensed consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

Nine Months Ended September 30, 2008 and 2007

	Common stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total stock-holders' equity
Balance at December 31, 2006	$ 4,892,812	110,042,307	8,867,359	—	(305,886)	123,496,592
Net income	—	—	1,694,445	—	—	1,694,445
Issuance of 1,071,973 shares of common stock (91,100 shares from treasury)	245,218	12,282,983	—	966,600	—	13,494,801
Stock options exercised – 100,000 shares	25,000	563,313	—	—	—	588,313
Treasury stock purchased – 104,128 shares	—	—	—	(1,123,461)	—	(1,123,461)
Issuance of 10,827 shares of common stock (3,632 shares from treasury) in connection with Employee Stock Purchase Plan	1,799	83,503	—	44,109	—	129,411
800 shares of common stock awarded to directors	200	9,800	—	—	—	10,000
Stock issuance costs	—	(28,759)	—	—	—	(28,759)
Stock option expense	—	305,397	—	—	—	305,397
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	91,710	91,710
Balance at September 30, 2007	$ 5,165,029	123,258,544	10,561,804	(112,752)	(214,176)	138,658,449
Balance at December 31, 2007	$ 5,170,519	123,329,517	10,982,306	—	408,631	139,890,973
Net loss	—	—	(1,209,363)	—	—	(1,209,363)
Issuance of 9,615 shares of common stock from treasury	—	(34,892)	—	115,380	—	80,488
Stock options exercised – 101,000 shares (12,296 from treasury)	22,176	519,657	—	147,552	—	689,385
Treasury stock purchased – 105,324 shares	—	—	—	(1,305,000)	—	(1,305,000)
Issuance of 2,565 shares of common stock from treasury as partial payment for certain operating leases	—	(5,771)	—	30,780	—	25,009
1,400 shares of common stock from treasury awarded to directors	—	(3,449)	—	16,800	—	13,351
Stock option expense	—	421,946	—	—	—	421,946
Amortization of restricted stock	—	88,880	—	30,000	—	118,880
Change in valuation of available-for-sale securities, net of related tax effect	—	—	—	—	(2,166,087)	(2,166,087)
Balance at September 30, 2008	$ 5,192,695	124,315,888	9,772,943	(964,488)	(1,757,456)	136,559,582

See accompanying notes to interim condensed consolidated financial statements and accountants' review report.

RELIANCE BANCSHARES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Net (loss) income	$	**(1,209,363)**	1,694,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		**1,592,243**	1,130,140
Provision for possible loan losses		**8,539,000**	2,405,000
Capitalized interest expense on construction		**(85,984)**	(439,669)
Stock option compensation cost		**421,946**	305,397
Common stock awarded to directors		**13,351**	10,000
Amortization of restricted stock expense		**118,880**	—
Losses on sale of other real estate		**38,525**	10,389
Net (gains) losses on sale of debt and equity securities		**(312,250)**	7,026
Increase in accrued interest receivable		**(483,032)**	(767,334)
Increase in accrued interest payable		**583,668**	383,735
Mortgage loans originated for sale in secondary market		**(18,076,916)**	(6,915,625)
Mortgage loans sold in secondary market		**17,087,483**	6,692,500
Other operating activities, net		**425,966**	375,890
Net cash provided by operating activities		**8,653,517**	4,891,894
Cash flows from investing activities:			
Purchase of available-for-sale debt and equity securities		**(90,282,122)**	(9,952,158)
Proceeds from maturities and calls of available-for-sale debt securities		**45,513,113**	24,712,652
Proceeds from sales of available-for-sale debt securities		**27,252,250**	4,547,333
Net increase in loans		**(325,613,463)**	(175,998,335)
Proceeds from sale of other real estate owned		**1,141,834**	3,681,227
Construction expenditures to finish other real estate		**(48,525)**	—
Purchase of bank premises and equipment		**(5,565,726)**	(10,929,789)
Proceeds from sale of bank premises and equipment		**105,685**	60,799
Net cash used in investing activities		**(347,496,954)**	(163,878,271)
Cash flows from financing activities:			
Net increase in deposits		**261,957,774**	120,867,782
(Decrease) increase in short-term borrowings		**(2,110,304)**	1,858,385
Proceeds from notes payable to Federal Home Loan Bank		**93,000,000**	30,000,000
Payments of notes payable to Federal Home Loan Bank		**(12,000,000)**	(4,300,000)
Purchase of treasury stock		**(1,305,000)**	(1,123,461)
Stock options exercised		**689,385**	588,313
Issuance of common stock		**80,488**	13,624,212
Payment of stock issuance costs		**—**	(28,759)
Net cash provided by financing activities		**340,312,343**	161,486,472
Net increase in cash and cash equivalents		**1,468,906**	2,500,095
Cash and cash equivalents at beginning of period		**13,290,440**	8,474,181
Cash and cash equivalents at end of period	$	**14,759,346**	10,974,276
Supplemental information:			
Cash paid for interest	$	**30,341,300**	27,548,609
Cash paid for income taxes		**425,000**	676,000
Noncash transactions:			
Transfers to other real estate in settlement of loans		**8,243,326**	4,478,902
Loans made to facilitate the sale of other real estate		**—**	275,912
Capitalized interest expense		**85,984**	439,669
Common stock awarded to directors		**13,351**	10,000
Stock option compensation cost		**421,946**	305,397
Amortization of restricted stock expense		**118,880**	—
Stock issued for operating lease payments		**25,009**	—

See accompanying notes to interim condensed consolidated financial statements and accountants' review report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reliance Bancshares, Inc. (the "Company") provides a full range of banking services to individual and corporate customers throughout the St. Louis metropolitan area in Missouri and Illinois and southwestern Florida through its wholly-owned subsidiaries, Reliance Bank and Reliance Bank, F.S.B. (the "Banks").

The Company and Banks are subject to competition from other financial and nonfinancial institutions providing financial products throughout the St. Louis metropolitan area and southwestern Florida. Additionally, the Company and Banks are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Banks conform to generally accepted accounting principles within the banking industry. In compiling the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses, valuation of other real estate owned and stock options, and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Operating results for the three and nine-month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2007 filed with the Company's 2007 Annual Report on Form 10-K.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of the Company and Banks. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Company and Banks utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners.

Cash Flow Information

For purposes of the consolidated statements of cash flows, cash equivalents include due from banks, interest-earning deposits in banks (all of which are payable on demand), and Federal funds sold. Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation.

Stock Issuance Costs

The Company incurs certain costs associated with the issuance of its common stock. Such costs were recorded as a reduction of equity capital.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* an Interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FASB Interpretation No. 48 ("FIN 48") clarifies the accounting for uncertainty in income taxes in financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective and was implemented in 2007 by the Company; however, Company management believes that the Company maintains no uncertain tax positions for tax reporting purposes, and, accordingly, no FIN 48 liability is required to be recorded.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* ("FAS No. 157") and Statement of Financial Accounting Standards No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* ("FAS No. 159"). In accordance with the FASB Staff Position 157-2, *Effective Date of SFAS No. 157*, the Company has not applied the provisions of FAS No. 157 to nonfinancial assets and nonfinancial liabilities such as other real estate owned and goodwill. The Company uses fair value measurements to determine fair value disclosures.

The following is a description of valuation methodologies used for assets recorded at fair value:

Investments in Available-For-Sale Debt Securities – Investments in available-for-sale debt securities are recorded at fair value on a recurring basis. The Company's available-for sale debt securities are measured at fair value using Level 2 valuations. The market evaluation utilizes several sources which include observable inputs rather than "significant unobservable inputs" and, therefore, fall into the Level 2 category. The table below presents the balances of available-for sale debt securities measured at fair value on a recurring basis:

Obligations of U.S. Government agencies and corporations	$ 66,847,242
Obligations of state and political subdivisions	33,615,128
Other debt securities	4,831,760
Mortgage-backed securities	62,488,281
	$ 167,782,411

Loans – The Company does not record loans at fair value on a recurring basis other than loans that are considered impaired. Once a loan is identified as impaired, management measures impairment in accordance with Statement of Financial Accounting Standards No. 114, *Accounting by Creditors for Impairment of a Loan.* At September 30, 2008, all impaired loans were evaluated based on the fair value of the collateral. The fair value of the collateral is based upon an observable market price or current appraised value, and, therefore, the Company classifies these assets in the nonrecurring Level 2 category. The total principal balance of impaired loans measured at fair value at September 30, 2008 was $15,258,135.

Earnings per Share
Basic earnings per share data is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of earnings per share which could occur under the treasury stock method if contracts to issue common stock, such as stock options, were exercised. The following table presents a summary of per share data and amounts for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Basic				
Net income (loss)	$ 851,092	164,198	(1,209,363)	1,694,445
Weighted average common shares outstanding	20,687,321	20,654,884	20,656,388	20,238,722
Basic earnings (loss) per share	$ 0.04	0.01	(0.06)	0.08
Diluted				
Net income (loss)	$ 851,092	164,198	(1,209,363)	1,694,445
Weighted average common shares outstanding	20,687,321	20,654,884	20,656,388	20,238,722
Effect of dilutive stock options	233,063	1,049,215	391,755	986,245
Diluted weighted average common shares outstanding	20,920,384	21,704,099	21,048,143	21,224,967
Diluted earnings (loss) per share	$ 0.04	0.01	(0.06)	0.08

NOTE 2 – INTANGIBLE ASSETS
Identifiable intangible assets include the core deposit premium relating to the Company's acquisition of The Bank of Godfrey, which is being amortized into noninterest expense on a straight-line basis over 15 years. Amortization of the core deposit intangible assets existing at September 30, 2008 will be $4,072 per quarter until completely amortized.

The excess of the Company's consideration given in its acquisition of The Bank of Godfrey over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. No impairment writedown has thusfar been required on this intangible asset.

NOTE 3 – STOCK OPTIONS
The Company maintains various stock option plans. Prior to 2006, the Company applied the intrinsic value-based method, as outlined in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* ("APB 25") and related interpretations, in accounting for stock options granted under these plans. Under the intrinsic value-based method, no compensation expense was recognized if the exercise price of the Company's employee stock options was equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, prior to 2006, no compensation cost was recognized

in the consolidated statements of income for stock options granted to employees, since all options granted under the Company's stock option plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) ("FAS 123R") *Share-based Payments*. This statement replaces FAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB 25. FAS 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the grant date fair value for all equity classified awards. The Company adopted this statement using the modified prospective method, which requires the Company to recognize compensation expense on a prospective basis for all outstanding unvested awards. Therefore, prior period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for share-based awards granted after the adoption date, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods.

Based on the valuation and accounting uncertainties that outstanding options presented under proposed accounting treatment at the time, the Board of Directors accelerated the vesting of substantially all of the Company's outstanding stock options during the fourth quarter of 2005. This action resulted in the remaining fair value of substantially all of the outstanding stock options being recognized in 2005 as part of the pro-forma disclosures in previous periods.

The weighted average fair values of options granted during the first nine months of 2008 and 2007 were $2.24 and $3.87, respectively, for an option to purchase one share of Company common stock; however, the Company has only been in existence since July 24, 1998, and the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. In using the Black-Scholes option pricing model to value the options, several assumptions have been made in arriving at the estimated fair value of the options granted during the first nine months of 2008 and 2007, including 0-20% volatility in the Company's common stock price, no dividends paid on the common stock, an expected weighted average option life of 6.0 years for options granted in 2008 and 2007, and a risk-free interest rate approximating the U.S. Treasury rates for the applicable duration period. Any change in these assumptions could have a significant impact on the effects of determining compensation costs.

Following is a summary of the Company's stock option activity for the nine-month periods ended September 30, 2008 and 2007:

	Options Granted Under Incentive Stock Option Plans		Options Granted to Directors Under Nonqualified Plans	
	Weighted Average Option Price per Share	Number of Shares	Weighted Average Option Price per Share	Number of Shares
Nine Months Ended September 30, 2007:				
Balance at December 31, 2006	$ 6.57	1,648,200	$ 6.63	576,000
Granted	13.40	169,500	16.38	125,000
Forfeited	11.67	(4,500)	4.85	(5,000)
Exercised	5.73	(90,000)	7.25	(10,000)
Balance at September 30, 2007	$ 7.27	1,723,200	$ 8.41	686,000
Nine Months Ended September 30, 2008:				
Balance at December 31, 2007	**$ 7.31**	**1,648,200**	**$ 8.41**	**701,000**
Granted	**12.89**	**91,000**	**11.58**	**16,000**
Forfeited	**13.87**	**(27,250)**	**9.14**	**(41,500)**
Exercised	**6.83**	**(101,000)**	**—**	**—**
Balance at September 30, 2008	**$ 7.54**	**1,610,950**	**$ 8.44**	**675,500**

The weighted average option prices for the 2,286,450 and 2,409,200 options outstanding at September 30, 2008 and 2007, were $7.81 and $7.59, respectively. At September 30, 2008, options to purchase an additional 495,800 shares of Company common stock were available for future grants under the various plans.

NOTE 4 – DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

The Banks issue financial instruments with off-balance-sheet risk in the normal course of the business of meeting the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Banks have in particular classes of these financial instruments.

The Banks' 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 Banks use the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the balance sheets. Following is a summary of the Banks' off-balance-sheet financial instruments at September 30, 2008:

Financial instruments for which contractual amounts represent:	
Commitments to extend credit	**$ 288,866,860**
Standby letters of credit	**23,174,333**
	$ 312,041,193

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. Of the total commitments to extend credit at September 30, 2008, $117,666,096 was made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment, on which the Banks generally have a superior lien.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party, for which draw requests have historically not been made thereon. Such guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.