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## **Press Release**

October 21, 2010

### **Westside Community Bank enters into a formal agreement with regulators**

Westside Community Bank has voluntarily entered into a formal agreement with the Federal Deposit Insurance Corporation and the Washington State Department of Financial Institutions and is complying with a set of changes to strengthen its financial condition.

The agreement resulted from a routine FDIC audit conducted May 3rd, 2010, and calls for changes to further strengthen the bank including increased capital levels, a reduction in commercial real estate loans and non-performing loans. Our Tier 1 risk-based capital as of September 30, 2010 was 8.00% and total risk-based capital at September 30, 2010 was 10.12%. FDIC defines these percentages as "well capitalized" under standard regulatory requirements.

"This agreement has no effect on the safety of customer deposits" says Westside Community Bank President and CEO Donald D. Dalton. With the increase in FDIC limits to \$250,000 per depositor and the bank's participation in the Transaction Account Guarantee Program, customers are able to insure deposits above the \$250,000 limit and even obtain unlimited coverage depending on account type and ownership. "Our team members are well versed in FDIC coverage and available to service the needs of our customers and community." says Dalton.

Like many banks in the Northwest, Westside continues to be challenged by the economic downturn and the decline in values of the commercial real estate market. The most significant impact has been deterioration in the quality of the commercial real estate and land development loan portfolio.

Mr. Dalton stated that, "We are proactively working with our regulators and have implemented numerous strategies to strengthen our balance sheet and reduce our exposure to commercial real estate and construction loans. We are encouraged that this relationship will aid management to strengthen the Bank while we weather these unprecedented economic events." Dalton continued "We share your concern that these issues have continued to generate higher than expected loan losses and provision expense, and as a result have adversely impacted profitability. We are moving aggressively to meet or exceed the terms of the agreement, and we are hopeful that our actions will assure we comply quickly and fully with all aspects of the agreement. Westside Community Bank is a strong company and we have a solid plan already in motion to bring us back to a level of high performance."

As we move forward into 2011 we fully expect to see a reduction in non-performing loans and a diminished need for additional loan and lease loss reserves. We have a highly skilled, dedicated staff that continues to demonstrate their support to the organization and its customers. With this commitment we feel confident the Bank can return to profitability.

As many of our peers in Washington, the Bank has been through a difficult period. The Bank has aggressively reserved for potential future loan and lease losses and we feel an improvement in overall credit quality for 2011 is likely. We anticipate raising additional capital and hope our shareholders will support that effort. We recognize the financial service needs of local businesses in this area and see great opportunity for Westside Community Bank in the future as the local economy continues to rebound.

Donald D. Dalton  
President and CEO  
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