

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

VIKING FINANCIAL SERVICES
CORPORATION
Seattle, Washington

and

FEDERAL RESERVE BANK OF
SAN FRANCISCO
San Francisco, California

Docket No. 10-231-WA/RB-HC

WHEREAS, Viking Financial Services Corporation, Seattle, Washington (“Viking”), a registered bank holding company, owns and controls Viking Bank, Seattle, Washington (“Bank”), a state-chartered nonmember bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Viking and the Federal Reserve Bank of San Francisco (the “Reserve Bank”) to maintain the financial soundness of Viking so that Viking may serve as a source of strength to the Bank;

WHEREAS, Viking and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on November 17, 2010, the board of directors of Viking, at a duly constituted meeting, adopted a resolution authorizing and directing Patrick D. Redmond to enter into this Agreement on behalf of Viking, and consenting to compliance with each and every provision of this Agreement by Viking and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Viking and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Viking shall take appropriate steps to fully utilize Viking’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Federal Deposit Insurance Corporation (“FDIC”) and the Washington Department of Financial Institutions on November 4, 2009, and any other supervisory action taken by the Bank’s federal or state regulator.

Dividends, Distributions, and Other Payments

2. (a) Viking shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the “Director”).

(b) Viking shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Viking and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, or required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Viking's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment. For requests to declare or pay dividends, Viking must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

3. (a) Viking shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Viking shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Capital Plan

4. Within 60 days of this Agreement, Viking shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at Viking on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, allowance for loan and lease losses, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that Viking serve as a source of strength to the Bank.

5. Viking shall notify the Reserve Bank, in writing, no more than 45 days after the end of any quarter in which any of Viking's capital ratios fall below the approved plan's minimum ratios. Together with the notification, Viking shall submit an acceptable written plan that details the steps that Viking will take to increase Viking's capital ratios to or above the approved plan's minimums.

Cash Flow Projections

6. Within 60 days of this Agreement, Viking shall submit to the Reserve Bank a written statement of Viking's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2011. Viking shall submit to the

Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

Affiliate Transactions

7. Within 30 days of this Agreement, Viking shall submit to the Reserve Bank acceptable written policies and procedures regarding the allocation of expenses and other transactions between Viking and the Bank that are designed to ensure that Viking does not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) or Regulation W of the Board of Governors (12 C.F.R. Part 223).

Compliance with Laws and Regulations

8. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Viking shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Viking shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Approval and Implementation of Plan

9. (a) Viking shall submit a written plan, policies and procedures that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 4 and 7 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, Viking shall adopt the approved plan, policies and procedures. Upon adoption, Viking shall promptly implement the approved plan, policies and procedures, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plan, policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Progress Reports

10. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

11. All communications regarding this Agreement shall be sent to:

- (a) Mr. Kevin E. Zerbe
Vice President
Federal Reserve Bank of San Francisco
101 Market Street, Mail Stop 920
San Francisco, California 94105

- (b) Mr. Patrick D. Redmond
President and CEO
Viking Financial Services Corporation
4 Nickerson Street, Suite 200
Seattle, Washington 98109

Miscellaneous

12. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Viking to comply with any provision of this Agreement.

13. The provisions of this Agreement shall be binding upon Viking and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

14. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

15. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Viking, the Bank, any nonbank subsidiaries of Viking, or any of their current or former institution-affiliated parties and their successors and assigns.

16. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 19th day of November, 2010.

VIKING FINANCIAL SERVICES
CORPORATION

FEDERAL RESERVE BANK
OF SAN FRANCISCO

By: /s/ Patrick D. Redmond
Patrick D. Redmond
President and CEO

By: /s/ Kevin E. Zerbe
Kevin E. Zerbe
Vice President