THE PRIVATE BANK OF THE PENINSULA

FINANCIAL STATEMENTS

FOR THE PERIOD FROM OCTOBER 1, 2003 (DATE OPERATIONS COMMENCED) TO DECEMBER 31, 2003

AND

INDEPENDENT AUDITOR'S REPORT

PS

INDEPENDENT AUDITOR'S REPORT

The Shareholders and
Board of Directors
The Private Bank of the Peninsula

We have audited the accompanying balance sheet of The Private Bank of the Peninsula as of December 31, 2003 and the related statements of operations, changes in shareholders' equity and cash flows for the period from October 1, 2003 (date operations commenced) to December 31, 2003. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Private Bank of the Peninsula as of December 31, 2003 and the results of its operations and its cash flows for the period from October 1, 2003 (date operations commenced) to December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Perry-Smith LLP

January 22, 2004

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THE PRIVATE BANK OF THE PENINSULA

BALANCE SHEET

December 31, 2003

ASSETS	
Cash and due from banks	$ 277,982
Federal funds sold	10,345,000
Available-for-sale investment securities (Note 2)	12,518,000
Loans, less allowance for loan losses of $34,540 (Notes 3 and 8)	2,734,252
Bank property and equipment, net (Note 4)	649,195
Accrued interest receivable and other assets	147,124
	$ 26,671,553

LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits:	
Non-interest bearing	$ 1,259,418
Interest bearing (Note 5)	8,557,476
Total deposits	9,816,894
Accrued interest payable and other liabilities	48,730
Total liabilities	9,865,624
Commitments (Note 8)	
Shareholders' equity (Note 9):	
Preferred stock – no par value; 5,000,000 shares authorized, no shares issued or outstanding	-
Common stock - no par value; 5,000,000 shares authorized; 184,300 shares issued and outstanding	18,418,025
Accumulated deficit	(1,618,018)
Accumulated other comprehensive income (Note 2)	5,922
Total shareholders' equity	16,805,929
	$ 26,671,553

The accompanying notes are an integral
part of these financial statements.

THE PRIVATE BANK OF THE PENINSULA

STATEMENT OF OPERATIONS

For the Period from October 1 (Date Operations Commenced) to December 31, 2003

Interest income:	
Interest and fees on loans	$ 8,101
Interest on Federal funds sold	43,311
Interest on investment securities	10,767
Total interest income	62,179
Interest expense:	
Interest on deposits (Note 5)	9,966
Net interest income	52,213
Provision for loan losses (Note 3)	34,540
Net interest income after provision for loan losses	17,673
Non-interest income:	
Other income	1,398
Non-interest expenses:	
Salaries and employee benefits (Note 10)	375,981
Occupancy and equipment (Notes 4 and 8)	137,760
Other (Notes 4 and 11)	228,569
Total other expenses	742,310
Loss before income taxes	(723,239)
Income taxes (Note 6)	-
Net loss	$ (723,239)
Basic loss per share	$ (3.92)
Weighted average number of shares outstanding	184,300

The accompanying notes are an integral part of these financial statements.

THE PRIVATE BANK OF THE PENINSULA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Period from October 1, 2003 (Date Operations Commenced) to December 31, 2003

	Common Stock			Accumulated Other		
	Shares	Amount	Accumulated Deficit	Comprehensive Income	Shareholders' Equity	Comprehensive Loss
Sale of common stock, net of stock offering costs of $11,975	184,300	$ 18,418,025			$ 18,418,025	
Pre-opening expenses, net of interest income totaling $20,590			$ (894,779)		(894,779)	
Comprehensive loss:						
Net loss			(723,239)		(723,239)	$ (723,239)
Other comprehensive income:						
Unrealized gains on available-for-sale investment securities (Note 2)				$ 5,922	5,922	5,922
Total comprehensive loss						$ (717,317)
Balance, December 31, 2003	184,300	$ 18,418,025	$ (1,618,018)	$ 5,922	$ 16,805,929	

The accompanying notes are an integral part of these financial statements.

THE PRIVATE BANK OF THE PENINSULA

STATEMENT OF CASH FLOWS

For the Period From October 1, 2003 (Date Operations Commenced) to December 31, 2003

Cash flows from operating activities:	
Net loss	$ (723,239)
Adjustments to reconcile net loss to net cash used in operating activities:	
Provision for loan losses	34,540
Depreciation, amortization and accretion	26,971
Deferred loan origination costs, net	(5,867)
Increase in accrued interest receivable and other assets	(47,124)
Increase in accrued interest payable and other liabilities	48,730
Net cash used in operating activities	(665,989)
Cash flows from investing activities:	
Purchase of available-for-sale investment securities	(12,511,997)
Net increase in loans	(2,762,925)
Purchase of premises and equipment	(79,781)
Net cash used in investing activities	(15,354,703)
Cash flows from financing activities:	
Net increase in demand, interest bearing and savings deposits	8,861,200
Net increase in time deposits	955,694
Net cash provided by financing activities	9,816,894
Decrease in cash and cash equivalents	(6,203,798)
Cash and cash equivalents at date operations commenced	16,826,780
Cash and cash equivalents at end of year	$ 10,622,982

(Continued)

THE PRIVATE BANK OF THE PENINSULA

STATEMENT OF CASH FLOWS
(Continued)
For the Period From October 1, 2003 (Date Operations Commenced) to December 31, 2003

Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest expense	$ 9,688
Non-cash investing activities:	
Net change in unrealized gain on available-for-sale investment securities	$ 5,922
Cash flows from pre-opening activities:	
Pre-opening expenses, net of interest income totaling $20,590	$ (894,779)
Additions to other assets	(100,000)
Purchases of property and equipment	(596,466)
Proceeds from sale of stock	18,430,000
Stock offering costs	(11,975)
Cash and cash equivalents at date operations commenced	$ 16,826,780

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

On September 6, 2002, the organizers of The Private Bank of the Peninsula (the "Bank") filed an application with the Federal Deposit Insurance Corporation. The application was approved on March 21, 2003 and the Bank opened for business on October 1, 2003. The Bank provides products and services to customers who are predominately small and middle-market businesses, professionals and individuals residing in San Mateo and Santa Clara Counties.

The accounting and reporting policies of the Bank conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and due from banks and Federal funds sold. Generally, Federal funds are sold for one day periods.

Investment Securities

Investment securities are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) within shareholders' equity.

- Held-to-maturity securities, which management has the positive intent and ability to hold, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value. All securities are classified as available-for-sale and there were no transfers between categories.

Gains and losses on the sale of securities are computed using the specific identification method. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. In addition, unrealized losses that are other than temporary are recognized in earnings for all investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans are stated at principal balances outstanding. Interest is accrued daily based upon outstanding loan balances. However, when, in the opinion of management, loans are considered to be impaired and the future collectibility of interest and principal is in serious doubt, loans are placed on nonaccrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans, or payments received on nonaccrual loans for which the ultimate collectibility of principal is not in doubt, are applied first to earned but unpaid interest and then to principal.

An impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective rate or, as a practical matter, at the loan's observable market price or the fair value of collateral if the loan is collateral dependent. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due (including both principal and interest) in accordance with the contractual terms of the loan agreement.

Substantially all loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan. The unamortized balance of deferred fees and costs is reported as a component of net loans.

Allowance for Loan Losses

The allowance for loan losses is maintained to provide for losses related to impaired loans and other losses that can be expected to occur in the normal course of business. The determination of the allowance is based on estimates made by management, to include consideration of the character of the loan portfolio, specifically identified problem loans, potential losses inherent in the portfolio taken as a whole and economic conditions in the Bank's service area.

Loans determined to be impaired or classified are individually evaluated by management for specific risk of loss. In addition, reserve factors are assigned to currently performing loans based on management's assessment of the following for each identified loan type: (1) inherent credit risk, (2) historical losses and, (3) where the Bank has not experienced losses, the loss experience of peer banks. Management also computes specific and expected loss reserves for loan commitments. These estimates are particularly susceptible to changes in the economic environment and market conditions.

The Bank's Loan Committee reviews the adequacy of the allowance for loan losses at least quarterly, to include consideration of the relative risks in the portfolio and current economic conditions. The allowance is adjusted based on that review if, in the judgment of the Loan Committee and management, changes are warranted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. The allowance for loan losses at December 31, 2003 reflects management's estimate of possible losses in the portfolio.

Bank Property and Equipment

Bank property and equipment are carried at cost. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of furniture, fixtures and equipment are estimated to be five to ten years. Leasehold improvements are amortized over the life of the asset or the term of the related lease, whichever is shorter. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Income Taxes

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS), which excludes dilution, is computed by dividing income (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings of the Bank. The treasury stock method is applied to determine the dilutive effect of stock options in computing diluted EPS. However, diluted EPS are not presented when a net loss occurs because the conversion of potential common stock is antidilutive.

Stock-Based Compensation

At December 31, 2003, the Bank had a stock-based compensation plan, The Private Bank of the Peninsula 2003 Stock Option Plan, which is described more fully in Note 9. The Bank accounts for this plan under the recognition and measurement principles of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Under this Statement, the stock based compensation cost is reflected in the statement of operations during the period in which the options become vested. During the year ended December 31, 2003, there were no stock options that became vested and, therefore, no compensation expense was recorded.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

The weighted average fair value of options granted during the year was $14.83.

The fair value of each option is estimated on the date of grant using an option-pricing model and the following assumptions:

Dividend yield (not applicable)	
Expected volatility (not applicable)	
Risk-free interest rate	3.21%
Expected option life	5 years

Pre-opening Expenses

During the organizational period, the Bank incurred the following pre-opening expenses:

Salaries and benefits	$ 360,880
Professional fees	297,747
Rent	110,368
Other	125,784
	$ 894,779

Pre-opening expenses of $894,779, net of interest income totaling $20,590, were charged to accumulated deficit at the date the Bank commenced operations. Stock offering costs totaling $11,975 were charged against stock proceeds, providing net capital of $18,418,025 from the sale of common stock.

Comprehensive Income (Loss)

Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of other comprehensive income (loss) that historically has not been recognized in the calculation of net income (loss). Unrealized gains and losses on the Bank's available-for-sale investment securities are included in other comprehensive income (loss). Total comprehensive loss and the components of accumulated other comprehensive income are presented in the statement of changes in shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated market value of available-for-sale investment securities at December 31, 2003 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government agencies	$ 12,512,078	$ 7,948	$ (2,026)	$ 12,518,000

Net unrealized gains on available-for-sale investment securities totaling $5,922 were recorded as other comprehensive income within shareholders' equity at December 31, 2003. Related tax liabilities were not considered material for disclosure purposes.

The amortized cost and estimated market value of investment securities at December 31, 2003 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Within one year	$ 8,019,369	$ 8,017,000
After one year through five years	4,492,709	4,501,000
	$ 12,512,078	$ 12,518,000

Investment securities with unrealized losses at December 31, 2003 are summarized and classified according to the duration of the loss period as follows:

	Less than 12 Months	
	Fair Value	Unrealized Losses
U.S. Government agencies	$ 8,017,000	$ (2,026)

Management periodically evaluates each investment security relying primarily on industry analyst reports, observation of market conditions and interest rate fluctuations. Management believes it will be able to collect all amounts due according to the contractual terms of the underlying investment securities and that the noted decline in fair value is due only to interest rate fluctuations.

3. LOANS

Outstanding loans at December 31, 2003 are summarized below:

Commercial	$ 1,194,190
Real estate – residential	400,000
Real estate – commercial	1,168,500
Other	235
	2,762,925
Deferred loan origination costs, net	5,867
Allowance for loan losses	(34,540)
	$ 2,734,252

For the period from October 1, 2003 (date operations commenced) to December 31, 2003, the Bank had no impaired loans or loans placed on nonaccrual status. For the period from October 1, 2003 (date operations commenced) to December 31, 2003, the Bank had no losses charged to the allowance or recoveries.

4. BANK PROPERTY AND EQUIPMENT

Bank property and equipment consisted of the following at December 31, 2003:

Furniture and equipment	$ 513,832
Leasehold improvements	162,415
	676,247
Less accumulated depreciation and amortization	27,052
	$ 649,195

Depreciation included in occupancy and equipment expense totaled $27,052 for the period from October 1, 2003 (date operations commenced) to December 31, 2003.

5. INTEREST-BEARING DEPOSITS

Interest-bearing deposits consisted of the following at December 31, 2003:

NOW accounts	$ 1,590,435
Savings	34,941
Money market	5,976,406
Time, $100,000 or more	700,897
Other time	254,797
	$ 8,557,476

5. INTEREST-BEARING DEPOSITS (Continued)

Aggregate annual maturities of time deposits are as follows:

Year Ending December 31,	
2004	$ 948,124
2008	7,570
	$ 955,694

Interest expense recognized on interest-bearing deposits for the period from October 1, 2003 (date operations commenced) to December 31, 2003 consisted of the following:

NOW accounts	$ 520
Savings	14
Money market	8,010
Time, $100,000 or more	1,038
Other time	384
	$ 9,966

At December 31, 2003, the Bank had deposits from certain directors totaling $2,925,018.

6. INCOME TAXES

Income taxes for the period from October 1, 2003 (date operations commenced) to December 31, 2003 consisted of the following:

Deferred	$ 638,000
Establishment of a valuation allowance	(638,000)
Income tax expense	$ -

6. INCOME TAXES (Continued)

Deferred tax assets (liabilities) at December 31, 2003 consisted of the following:

Deferred tax assets:	
Net operating losses	$ 324,000
Organization costs	381,000
Deferred tax assets before valuation allowance	705,000
Valuation allowance	(638,000)
Total deferred tax assets	67,000
Deferred tax liabilities:	
Accrual to cash conversion	(11,000)
Allowance for loan losses	(9,000)
Future liability of State deferred tax asset	(47,000)
Total deferred tax liabilities	(67,000)
Net deferred tax asset	$ -

A valuation allowance is provided to reduce deferred tax assets to a level which, more likely than not, will be realized. Due to the initial losses recognized during the first three months of operations, a valuation allowance has been recorded for a significant portion of the Bank's deferred tax assets. The need for this valuation allowance will be periodically reviewed and benefits will be recognized when they are determined to be realizable.

At December 31, 2003, the Bank had Federal and State net operating loss carryforwards (NOLs) of $800,000 and $480,000, respectively. The Federal NOLs expire in 2023. The State NOLs expire in 2013.

7. SHORT-TERM BORROWING ARRANGEMENT

The Bank has an unsecured Federal funds line of credit up to $1,000,000 with one of its correspondent banks. There were no borrowings outstanding under this agreement at December 31, 2003.

8. COMMITMENTS

Operating Leases

The Bank leases its branch and administration office under a noncancelable operating lease. The lease expires in 2013 and has two, five-year renewal options.

Future minimum lease payments are as follows:

Year Ending December 31,	
2004	$ 257,118
2005	264,828
2006	272,772
2007	280,956
2008	289,386
Thereafter	1,412,268
	$ 2,777,328

Rental expense included in occupancy and equipment expense totaled $63,330 for the period from October 1, 2003 (date operations commenced) to December 31, 2003.

Financial Instruments With Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments, which totaled $1,509,000 at December 31, 2003, consist of commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for loans included on the balance sheet.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, and deeds of trust on residential real estate and income-producing commercial properties.

8. COMMITMENTS (Continued)

Financial Instruments With Off-Balance-Sheet Risk (Continued)

At December 31, 2003, all loan commitments are for real estate mortgage and commercial loans and are generally secured by real estate with a loan-to-value ratio not to exceed 80%. In addition, the majority of the Bank's loan commitments have variable interest rates.

Significant Concentrations of Credit Risk

The Bank grants real estate mortgage, real estate construction, commercial and consumer loans to customers in San Mateo and Santa Clara Counties. Although the Bank has a diversified loan portfolio, a substantial portion of its portfolio is secured by commercial and residential real estate.

At December 31, 2003, in management's judgment, a concentration of loans existed in real estate related loans. At this date, approximately 57% of the Bank's loans were real estate related. Although management believes the loans within this concentration have no more than the normal risk of collectibility, a substantial decline in the performance of the economy in general or a decline in real estate values in the Bank's primary market area, in particular, could have an adverse impact on the collectibility of these loans. Personal and business income represent the primary source of repayment for a majority of these loans.

9. SHAREHOLDERS' EQUITY

Dividends

Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any bank at any one time to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2003, no amounts were free of such restrictions.

Stock Options

The Board of Directors adopted The Private Bank of the Peninsula 2003 Stock Option Plan that was subsequently approved by the shareholders. Under this plan, 55,290 shares of common stock are reserved for issuance to employees and Directors under incentive or nonstatutory agreements. The plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted, and that the stock must be paid for in full at the time the option is exercised. All options expire on a date determined by the Board of Directors, but not later than ten years from the date of grant. Upon grant, options vest ratably over a four year period.

9. SHAREHOLDERS' EQUITY (Continued)

Stock Options (Continued)

A summary of the activity within the plan follows:

	Shares	Weighted Average Exercise Price
Incentive Stock Options		
Options granted	15,475	$ 100
Options outstanding, end of year	15,475	$ 100
Options exercisable, end of year	-	$ 100
Nonstatutory Stock Options		
Options granted	11,340	$ 100
Options outstanding, end of year	11,350	$ 100
Options exercisable, end of year	-	$ 100

A summary of options outstanding at December 31, 2003 follows:

	Number of Options Outstanding	Weighted Average Remaining	Number of Options Exercisable
Exercise Price			
$ 100	26,815	4.9 years	-

Regulatory Capital

The Bank is subject to certain regulatory capital requirements administered by the FDIC. Failure to meet these minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

9. SHAREHOLDERS' EQUITY (Continued)

Regulatory Capital (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Each of these components is defined in the regulations. Management believes that the Bank meets all its capital adequacy requirements as of December 31, 2003.

To be categorized as well capitalized, under the regulatory framework for prompt corrective actions, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth below.

	Amount	Ratio
Leverage Ratio		
The Private Bank of the Peninsula	$ 16,800,000	73.9%
Minimum requirement for "Well-Capitalized" institution	$ 1,137,000	5.0%
Minimum regulatory requirement	$ 910,000	4.0%
Tier 1 Risk-Based Capital Ratio		
The Private Bank of the Peninsula	$ 16,800,000	263.3%
Minimum requirement for "Well-Capitalized" institution	$ 383,000	6.0%
Minimum regulatory requirement	$ 255,000	4.0%
Total Risk-Based Capital Ratio		
The Private Bank of the Peninsula	$ 16,835,000	263.9%
Minimum requirement for "Well-Capitalized" institution	$ 638,000	10.0%
Minimum regulatory requirement	$ 510,000	8.0%

10. EMPLOYEE BENEFIT PLANS

Employee Retirement Plan

The Bank adopted The Private Bank of the Peninsula 401(k) Profit Sharing Plan and Trust, effective October 28, 2003. All employees 21 years of age or older with one year of service are eligible to participate in the plan. Eligible employees may elect to make tax deferred contributions of their salary up to the maximum amount allowed by law. The Bank may make additional contributions to the plan at the discretion of the Board of Directors. Bank contributions vest at a rate of 20% annually for all employees. Bank contributions for the period from October 1, 2003 (date operations commenced) to December 31, 2003 totaled $350.

11. OTHER EXPENSES

Other expenses for period from October 1, 2003 (date operations commenced) to December 31, 2003 consisted of the following:

Data processing	$ 57,989
Advertising and marketing	14,578
Supplies and printing	62,820
Professional fees	58,403
Insurance and bonding	11,805
Other	22,974
	$ 228,569