



## NEWS RELEASE

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For more information contact:

Steve Gray, President and CEO, 503-905-2217

### **PACIFIC WEST BANK REPORTS SECOND QUARTER 2010 FINANCIAL RESULTS**

West Linn, OR – Pacific West Bank (OTCBB: PWBO) reported a net loss of \$906 thousand and diluted loss per share of \$1.04 for the quarter ended June 30, 2010. The second quarter loss was primarily attributed to recording a provision for loan losses of \$580 thousand and to costs associated with foreclosing, holding and liquidating other real estate owned which totaled \$208 thousand for the quarter.

During the quarter the Bank undertook an in-depth analysis of its loan portfolio. In April 2010, a regulatory review covered \$15.4 million of the Bank's loans, and in June 2010 an external loan review covered another \$27.7 million of loans. Combined, these reviews covered more than 75% of the Bank's \$55.8 million loan portfolio, with a focus on nonperforming loans and those with higher risk potential. The provisions for loan losses and impairment charges recorded in the first and second quarters of 2010 are consistent with – and supported by – the outcome of these reviews.

“We are in a unique position to have taken such a concentrated look at our loan portfolio,” said Steve Gray, President and CEO. “Having reviewed three-quarters of our loan portfolio in such a short period and having provided for potential loan losses, we are optimistic that we will begin seeing significant improvements in both our asset quality and our financial performance.”

#### Liquidity

The Bank maintained a strong liquidity position, with asset liquidity ending the second quarter at 13.7% of assets. As compared with December 31, 2009 asset liquidity is down by \$5.5 million due in part to a net repayment of \$4.4 million in wholesale deposits and the pledging of \$1.3 million to secure additional available liquidity through a correspondent bank credit line.

#### Deposits

Customer deposit growth has allowed the Bank to significantly reduce its usage of noncore funding, defined as wholesale deposits and borrowed funds. With the year-to-date net repayment of \$4.4 million in wholesale deposits, noncore funding has been reduced to 18.5% of total assets as of June 30, 2010 compared with 22.9% as of December 31, 2009 and 45.5% as of December 31, 2008. Gray commented, “We are very pleased that our customer deposit growth over the past 18 months has allowed us to significantly reduce our reliance on noncore funding. We plan to further reduce our noncore funding over the next two quarters with the repayment of maturing wholesale deposits. In addition to reducing a less stable funding source, such repayments will lower our overall cost of funds as the maturing wholesale deposits have relatively high interest rates.”

#### Asset Quality

Nonperforming assets (consisting of loans on nonaccrual status and other real estate owned) totaled \$6.9 million or 9.5% of total assets as of June 30, 2010, slightly up from \$6.7 million or 8.6% of total assets as of December 31, 2009. Chief Credit Officer Greg Froman states, “The level of our nonperforming assets remains unacceptable, although we are

beginning to see the positive results of our aggressive collection and liquidation efforts. We are determined to reduce our nonperforming assets and redeploy the proceeds as earning assets.” Notably, \$1.7 million or 25% of the \$6.9 million in nonperforming assets as of June 30, 2010 represent other real estate owned for which sales were closed in July 2010. Further, the Bank expects the sale of an additional \$907 thousand in other real estate owned to close in August 2010.

The allowance for loan losses stands at \$1.3 million or 2.37% of loans as of June 30, 2010, essentially unchanged from \$1.3 million or 2.28% of loans as of December 31, 2009.

### Capital

As indicated in the table below, as of June 30, 2010 the Bank exceeds the regulatory minimum to be “well capitalized” in two of the three regulatory standards and exceeds the regulatory minimum to be “adequately capitalized” in the third standard. The Bank intends to initiate a stock offering within the next 30 days, the proceeds from which should increase the total risk-based capital ratio to a level above the regulatory minimum for “well capitalized,” while bringing both the leverage and total risk-based capital ratios into compliance with the Bank’s Consent Order.

	Pacific West Bank	Regulatory Minimum to be “Adequately Capitalized”	Regulatory Minimum to be “Well Capitalized”	Minimum Under Consent Order
Leverage ratio	5.91%	≥4.00%	≥5.00%	≥10.00%
Tier 1 risk-based capital ratio	7.19%	≥4.00%	≥6.00%	N/A
Total risk-based capital ratio	8.45%	≥8.00%	≥10.00%	≥12.00%

### **About Pacific West Bank:**

Pacific West Bank, a community bank, commenced operations in November 2004. The Bank, headquartered in West Linn, Oregon, opened its second branch in Lake Oswego, Oregon in 2008. Pacific West Bank provides not only highly personalized deposit and loan services to individuals and small-to-medium sized businesses but also financial and volunteer support to a variety of community, civic and charitable organizations. For more information about Pacific West Bank, please call 503-905-2222 or visit [www.bankpacificwest.com](http://www.bankpacificwest.com). Information about the Bank's stock may be obtained through the Over the Counter Bulletin Board at [www.otcbb.com](http://www.otcbb.com). Pacific West Bank's stock symbol is PWBO.

### **Forward-looking Statements:**

This press release, as well as other written communications made from time to time by the Bank and oral communications made from time to time by authorized officers of the Bank, may contain statements relating to the future results of the Bank (including certain projections and business trends) that are considered “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 (the “PSLRA”). Such forward-looking statements may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated,” “intend” and “potential.” For these statements, the Bank claims the protection of the safe harbor for forward-looking statements contained in the PSLRA.

The Bank cautions that a number of important factors could cause actual results to differ materially from those currently anticipated in any forward-looking statement. Such factors include, but are not limited to: prevailing economic and geopolitical conditions; changes in interest rates, loan demand and real estate values; changes in accounting principles, policies and guidelines; changes in any applicable law, rule, regulation or practice with respect to tax or legal issues; the results of regulatory examinations and directives; and other economic, competitive, governmental, regulatory and technological factors affecting the Bank’s operations, pricing, products and services. The forward-looking statements are made as of the date of this release, and, except as may be required by applicable law or regulation, the Bank assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

## PACIFIC WEST BANK

### BALANCE SHEETS

(in thousands) (unaudited)

	6/30/10	12/31/09
Cash and due from banks	\$ 2,621	\$ 1,578
Overnight funds	7,210	10,615
Certificates of deposit with other banks	1,657	3,348
Loans, net of deferred fees	55,808	57,157
Allowance for loan losses	(1,320)	(1,305)
Premises and equipment, net	3,081	3,150
Other real estate owned	2,621	2,462
Other assets	945	883
Total assets	\$ 72,623	\$ 77,888
Customer deposits	\$ 54,645	\$ 53,377
Wholesale deposits	7,933	12,317
Borrowed funds	5,500	5,500
Other liabilities	196	354
Total liabilities	68,274	71,548
Common stock	8,051	7,705
Accumulated deficit	(3,702)	(1,365)
Shareholders' equity	4,349	6,340
Total liabilities and shareholders' equity	\$ 72,623	\$ 77,888

### STATEMENTS OF OPERATIONS

(in thousands, except loss per share) (unaudited)

	Three Months Ended		Six Months Ended	
	6/30/10	6/30/09	6/30/10	6/30/09
Interest and fee income	\$ 866	\$ 964	\$ 1,767	\$ 1,965
Interest expense	318	407	665	812
Net interest income	548	557	1,102	1,153
Provision for loan losses	580	761	1,885	846
Net interest income (loss) after provision for loan losses	(32)	(204)	(783)	307
Noninterest income	15	11	30	20
Salaries and employee benefits	355	343	693	674
Other real estate owned, including loss on sale/valuation	208	11	289	24
Occupancy	79	89	155	178
FDIC assessments	50	59	100	79
Data processing	36	43	69	91
Other noninterest expense	159	101	276	201
Total noninterest expense	887	646	1,582	1,247
Loss before income taxes	(904)	(839)	(2,335)	(920)
Income tax expense (benefit)	2	(330)	2	(362)
Net loss	\$ (906)	\$ (509)	\$ (2,337)	\$ (558)
Loss per share - diluted	\$ (1.04)	\$ (0.67)	\$ (2.69)	\$ (0.74)