



News Release

For Immediate Release: December 10, 2009
For more information contact: Steve Gray, President and CEO, 503-905-2217

PACIFIC WEST BANK REPORTS THIRD QUARTER 2009 FINANCIAL RESULTS

West Linn, OR – Pacific West Bank (OTCBB: PWBO) reported a net loss of \$35,000 and diluted loss per share of \$0.04 for the quarter ended September 30, 2009 compared with net income of \$11,000 and diluted earnings per share of \$0.01 for the quarter ended September 30, 2008. For the first nine months of 2009, the Bank reported a net loss of \$593,000 and diluted loss per share of \$0.78 compared with net income of \$59,000 and diluted earnings per share of \$0.08 for the comparable period in 2008.

Steve Gray, the Bank's President and CEO, commented, "While we are disappointed to report losses and remain committed to restoring profitability, we have focused our efforts on strengthening our balance sheet. In the current economic and regulatory environment, our strategic priorities are to protect our capital, build our liquidity, continue to grow customer deposits, reduce our usage of noncore funding sources, and improve the composition and performance of our loan portfolio. As detailed below, we are pleased with the progress we've made in strengthening our balance sheet and positioning the Bank for future growth and profitability."

Capital

As of September 30, 2009, the Bank's leverage, Tier 1 risk-based capital and total risk-based capital ratios were 9.46%, 10.35% and 11.61%, respectively. Regulatory benchmarks for "well-capitalized" institutions are 5%, 6% and 10% for leverage, Tier 1 risk-based capital and total risk-based capital ratios, respectively.

Liquidity

The Bank maintained a strong liquidity position, with asset-based liquidity ending the quarter at 13.9% of assets, up from 11.8% as of June 30, 2009. In addition, the Bank maintains \$13.3 million in available borrowing capacity with the Federal Reserve Bank of San Francisco, the Federal Home Loan Bank of Seattle, and correspondent banks.

Customer Deposits

The number of customer deposit accounts increased 12% during the quarter and 72% during the past twelve months. Gray commented, "We are very pleased with the progress we have made in

growing our customer deposits. We view this growth as a validation of our relationship-based banking model. We feel we are still gaining momentum and we expect the growth trend to continue.”

Customer deposit growth has allowed the Bank to significantly reduce its usage of noncore funding, defined as wholesale deposits and borrowed funds. Noncore funding has been reduced to 34.1% of total assets as of September 30, 2009 compared with 45.5% as of December 31, 2008. Gray commented, “With significant asset liquidity, strong customer deposit momentum, and upcoming maturities of wholesale deposits, we plan to further reduce our noncore funding in the fourth quarter of 2009.”

Asset Quality

For the quarter, the Bank recorded a provision for loan losses of \$75,000 and charged off loans totaling \$243,000, resulting in a \$168,000 net reduction in the allowance for loan losses. As of September 30, 2009, the allowance for loan losses stands at \$1.2 million or 2.15% of loans, net of deferred fees.

Gray commented, “We continue to improve the composition of our loan portfolio. In particular, we have reduced our concentration in land development and construction loans to 23.8% of our total loan portfolio as of quarter-end, compared with 46.0% as of December 31, 2008. We have actively rebalanced our loan portfolio to reduce concentration risk, and we are approaching our target loan mix.”

Nonperforming assets (consisting of loans 90 days or more past due, loans on nonaccrual and other real estate owned) totaled \$4.5 million or 6.2% of total assets as of September 30, 2009, up from \$3.3 million or 4.6% of total assets as of June 30, 2009. Residential land development and construction continued to be the weakest sector of the loan portfolio, accounting for the majority of the nonperforming assets and charge-offs. Gray commented, “Our Board of Directors and our management team are very focused on reducing nonperforming assets, through asset sales and loan workout alternatives.”

Results of Operations

The current quarter loss was primarily due to a decline in net interest margin and an increase in noninterest expense. The decline in net interest margin, to 3.70% for the quarter ended September 30, 2009 compared with 4.64% for the corresponding quarter of the prior year, is primarily attributed to interest reversed and foregone on higher levels of nonperforming assets, a shift in the asset mix to highly-liquid, lower-yielding investments and an overall compressed interest rate environment. The increase in noninterest expense is primarily due to significantly higher FDIC deposit insurance assessments and loss on sale of foreclosed real estate.

The year-to-date loss was primarily due to a significant increase in the provision for loan losses, a decline in net interest margin and an increase in noninterest expense. The provision for loan losses of \$921,000 for the nine months ended September 30, 2009 compared with \$180,000 for the corresponding period of the prior year reflects the challenging economic conditions resulting in an elevated level of estimated losses in our loan portfolio (see BANK RESTATES SECOND QUARTER 2009 FINANCIAL RESULTS). Consistent with the explanation for the quarterly decline in

net interest margin, the year-to-date decline to 3.61% for the current nine months compared with 4.69% for the corresponding period of the prior year is primarily attributed to interest reversed and foregone on higher levels of nonperforming assets, a shift in the asset mix to highly-liquid, lower-yielding investments and an overall compressed interest rate environment. The year-to-date increase in noninterest expense is primarily due to increased ongoing operating expenses resulting from the relocation of our main office in West Linn and the opening of a branch office in Lake Oswego, as well as significantly higher FDIC deposit insurance assessments.

BANK RESTATES SECOND QUARTER 2009 FINANCIAL RESULTS

As a result of an ongoing regulatory examination, the Bank restated its second quarter 2009 financial results to reflect the following adjustments:

- A \$676,000 increase in the provision for loan losses and related allowance for loan losses based on the determination that our allowance was underfunded.
- A \$266,000 increase in the benefit for income taxes and related deferred tax assets (shown in "other assets" on the balance sheet) based on the tax ramifications of the above item.
- A \$171,000 increase in loan charge-offs.

Restated financial statements as of and for the periods ended June 30, 2009 are included with this news release.

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. Information about the Bank's stock may be obtained through the Over the Counter Bulletin Board at 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.

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PACIFIC WEST BANK

BALANCE SHEETS

(in thousands) (unaudited)

	9/30/09	6/30/09 Restated	12/31/08	9/30/08
Cash and due from banks	\$ 5,886	\$ 3,018	\$ 959	\$ 1,144
Federal funds sold	4,315	5,510	1,470	1,750
Loans, net of deferred fees	57,290	59,050	58,091	53,848
Allowance for loan losses	(1,230)	(1,398)	(776)	(718)
Premises and equipment, net	3,174	3,187	3,246	3,263
Other assets	3,822	2,527	1,311	1,182
Total assets	<u>\$ 73,257</u>	<u>\$ 71,894</u>	<u>\$ 64,301</u>	<u>\$ 60,469</u>
Noninterest-bearing deposits	\$ 7,407	\$ 4,973	\$ 4,813	\$ 5,827
Interest-bearing deposits	52,056	54,105	44,029	41,226
Borrowed funds	6,500	5,500	7,500	5,500
Other liabilities	302	289	384	310
Total liabilities	<u>66,265</u>	<u>64,867</u>	<u>56,726</u>	<u>52,863</u>
Common stock	7,704	7,704	7,694	7,680
Accumulated deficit	(712)	(677)	(119)	(74)
Shareholders' equity	<u>6,992</u>	<u>7,027</u>	<u>7,575</u>	<u>7,606</u>
Total liabilities and shareholders' equity	<u>\$ 73,257</u>	<u>\$ 71,894</u>	<u>\$ 64,301</u>	<u>\$ 60,469</u>

STATEMENTS OF OPERATIONS

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

	Three Months Ended		Nine Months Ended	
	9/30/09	9/30/08	9/30/09	9/30/08
Interest and fee income	\$ 982	\$ 1,018	\$ 2,947	\$ 2,762
Interest expense	362	399	1,174	1,081
Net interest income	620	619	1,773	1,681
Provision for loan losses	75	60	921	180
Net interest income after provision for loan losses	<u>545</u>	<u>559</u>	<u>852</u>	<u>1,501</u>
Noninterest income	16	10	36	35
Salaries and employee benefits	336	316	1,010	847
Occupancy expense	87	90	265	177
Other noninterest expense	194	145	589	415
Total noninterest expense	<u>617</u>	<u>551</u>	<u>1,864</u>	<u>1,439</u>
Income (loss) before provision for income taxes	(56)	18	(976)	97
Provision (benefit) for income taxes	(21)	7	(383)	38
Net income (loss)	<u>\$ (35)</u>	<u>\$ 11</u>	<u>\$ (593)</u>	<u>\$ 59</u>
Earnings (loss) per share-diluted	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ (0.78)</u>	<u>\$ 0.08</u>
Return on average assets (annualized)	-0.19%	0.07%	-1.13%	0.15%
Return on average equity (annualized)	-1.82%	0.57%	-10.50%	1.03%
Efficiency ratio	96.97%	87.63%	102.92%	83.89%
Net interest margin (annualized)	3.70%	4.64%	3.61%	4.69%

PACIFIC WEST BANK

BALANCE SHEETS - RESTATED

(in thousands) (unaudited)

	6/30/09 Restated	3/31/09	12/31/08	6/30/08
Cash and due from banks	\$ 3,018	\$ 1,136	\$ 959	\$ 1,021
Federal funds sold	5,510	9,305	1,470	-
Investment securities	-	-	-	1,485
Loans, net of deferred fees	59,050	59,662	58,091	49,152
Allowance for loan losses	(1,398)	(837)	(776)	(658)
Premises and equipment, net	3,187	3,213	3,246	3,159
Other assets	2,527	2,381	1,311	1,147
Total assets	\$ 71,894	\$ 74,860	\$ 64,301	\$ 55,306
Noninterest-bearing deposits	\$ 4,973	\$ 6,331	\$ 4,813	\$ 3,812
Interest-bearing deposits	54,105	55,106	44,029	35,817
Borrowed funds	5,500	5,500	7,500	7,815
Other liabilities	289	393	384	286
Total liabilities	64,867	67,330	56,726	47,730
Common stock	7,704	7,698	7,694	7,661
Accumulated deficit	(677)	(168)	(119)	(85)
Shareholders' equity	7,027	7,530	7,575	7,576
Total liabilities and shareholders' equity	\$ 71,894	\$ 74,860	\$ 64,301	\$ 55,306

STATEMENTS OF OPERATIONS - RESTATED

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

	Three Months Ended		Six Months Ended	
	6/30/09 Restated	6/30/08	6/30/09 Restated	6/30/08
Interest and fee income	\$ 964	\$ 900	\$ 1,965	\$ 1,744
Interest expense	407	356	812	682
Net interest income	557	544	1,153	1,062
Provision for loan losses	761	60	846	120
Net interest income (loss) after provision for loan losses	(204)	484	307	942
Noninterest income	11	12	20	25
Salaries and employee benefits	343	273	674	531
Occupancy expense	104	53	178	87
Other noninterest expense	199	151	395	270
Total noninterest expense	646	477	1,247	888
Income (loss) before provision for income taxes	(839)	19	(920)	79
Provision (benefit) for income taxes	(330)	7	(362)	31
Net income (loss)	\$ (509)	\$ 12	\$ (558)	\$ 48
Earnings (loss) per share-diluted	\$ (0.67)	\$ 0.01	\$ (0.74)	\$ 0.06
Return on average assets (annualized)	-2.81%	0.09%	-1.62%	0.20%
Return on average equity (annualized)	-27.12%	0.59%	-14.90%	1.26%
Efficiency ratio	113.74%	85.87%	106.32%	81.73%
Net interest margin (annualized)	3.33%	4.32%	3.62%	4.52%