



Pacific West Bank Shareholders' Report

September 30, 2010



Pacific West Bank

Third Quarter 2010

Dear Shareholders:

As evident from our statements of operations, Pacific West Bank continues to struggle under the stress of the prolonged economic downturn. We are seeing signs of modest improvement in the economy, and our workout plans with troubled borrowers are coming to fruition, yet we anticipate a continuation of the challenging environment for the near future.

In the face of these challenges, we have made significant progress in other areas of note: we have rebalanced our loan portfolio over a broader spectrum of loan types, bolstered our liquidity reserves, reduced our noncore funding, and greatly strengthened the breadth and depth of our management team.

These positive developments, while overshadowed by the impact of recent loan defaults, are significant with respect to creating a sustainable community banking model that enhances our ability to improve profitability and increase franchise value.

I assure you that in the face of the current economic storm, we are working harder than ever for the success of the Bank. Our mission is unchanged, as is our commitment to creating value for our shareholders through the building of strong and trustworthy banking relationships.

We appreciate your ongoing support through these challenging times.

Sincerely,

Steven W. Gray
President & CEO

STATEMENTS OF OPERATIONS (in thousands, except loss per share) (unaudited)

	Three Months Ended	
	9/30/10	9/30/09
Interest and fee income	\$ 867	\$ 982
Interest expense	282	362
Net interest income	585	620
Provision for loan losses	886	75
Net interest income (loss) after provision for loan losses	(301)	545
Noninterest income	18	16
Salaries and employee benefits	397	336
Other real estate owned, including loss on sale/valuation	122	21
Occupancy	81	87
FDIC assessments	54	39
Data processing	32	44
Other noninterest expense	141	90
Total noninterest expense	827	617
Loss before income taxes	(1,110)	(56)
Income tax expense (benefit)	1	(21)
Net Loss	\$ (1,111)	\$ (35)
Loss per share - diluted	\$ (1.25)	\$ (0.04)

	Nine Months Ended	
	9/30/10	9/30/09
Interest and fee income	\$ 2,634	\$ 2,947
Interest expense	947	1,174
Net interest income	1,687	1,773
Provision for loan losses	2,771	921
Net interest income (loss) after provision for loan losses	(1,084)	852
Noninterest income	48	36
Salaries and employee benefits	1,090	1,010
Other real estate owned, including loss on sale/valuation	411	45
Occupancy	236	265
FDIC assessments	154	118
Data processing	101	135
Other noninterest expense	417	291
Total noninterest expense	2,409	1,864
Loss before income taxes	(3,445)	(976)
Income tax expense (benefit)	3	(383)
Net Loss	\$ (3,448)	\$ (593)

BALANCE SHEETS (in thousands) (unaudited)

	9/30/10	12/31/09
	Cash and due from banks	\$ 3,182
Overnight funds	2,415	10,615
Certificates of deposit with other banks	4,945	3,348
Loans, net of deferred fees	53,285	57,157
Allowance for loan losses	(1,227)	(1,305)
Premises and equipment, net	3,047	3,150
Other real estate owned	648	2,462
Other assets	948	883
Total assets	\$ 67,243	\$ 77,888
Customer deposits	\$ 52,977	\$ 53,377
Wholesale deposits	5,275	12,317
Borrowed funds	5,500	5,500
Other liabilities	193	354
Total liabilities	63,945	71,548
Common stock	8,111	7,705
Accumulated deficit	(4,813)	(1,365)
Shareholders' equity	3,298	6,340
Total liabilities and shareholders' equity	\$ 67,243	\$ 77,888