Pacific West Bank Shareholders' Report

December 31, 2010

PACIFIC WEST BANK

banking on relationships™

Pacific West Bank

Fourth Quarter 2010

Dear Shareholders:

As evident from our preliminary, unaudited statements of operations, 2010 was a very tough year for the Bank as we paid the price for problems in our loan portfolio.

We are encouraged by signs that the worst is behind us. We are seeing improvements in the local economy, and more importantly the workout plans put in place over the past twelve months to resolve loans to troubled borrowers are coming to fruition. In many instances, through settlement or foreclosure, we have taken ownership of the underlying property. We have seen strong sales activity for these properties already in 2011, and anticipate significant reductions in these properties in the first half of 2011.

In addition to resolving problem loans, bolstering our capital is of critical importance. Our Board of Directors has committed to ensuring that the Bank remains adequately capitalized, and has recently adopted a capital restoration plan calling for a modest capital raise. Participation in the raise will be open to both existing and new investors, with an offering circular to be distributed in late March.

While this has been a long and painful process, we believe we are turning the corner. We have either resolved or are nearing resolution of our problem loans; we have adopted a capital restoration plan that will return us to adequately capitalized; we have greatly reduced our usage of wholesale deposits and we have retained significant cash reserves. We are optimistic that 2011 will be a much better year.

Thank you for 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	
	12/31/10	12/31/09
Interest and fee income	$ 731	$ 904
Interest expense	245	382
Net interest income	486	522
Provision for loan losses	747	75
Net interest income (loss) after provision for loan losses	(261)	447
Noninterest income	19	18
Salaries and employee benefits	356	312
Other real estate owned, including loss on sale/valuation	102	48
Occupancy	88	75
FDIC assessments	76	52
Data processing	30	40
Other noninterest expense	127	130
Total noninterest expense	779	657
Loss before income taxes	(1,021)	(192)
Income tax expense	1	461
Net loss	$ (1,022)	$ (653)

	Years Ended	
	12/31/10	12/31/09
Interest and fee income	$ 3,365	$ 3,851
Interest expense	1,192	1,556
Net interest income	2,173	2,295
Provision for loan losses	3,519	996
Net interest income (loss) after provision for loan losses	(1,346)	1,299
Noninterest income	67	54
Salaries and employee benefits	1,446	1,322
Other real estate owned, including loss on sale/valuation	513	78
Occupancy	324	341
FDIC assessments	230	170
Data processing	132	174
Other noninterest expense	542	436
Total noninterest expense	3,187	2,521
Loss before income taxes	(4,466)	(1,168)
Income tax expense	4	78
Net loss	$ (4,470)	$ (1,246)

BALANCE SHEETS
(in thousands) (unaudited)

	12/31/10	12/31/09
Cash and due from banks	$ 2,287	$ 1,578
Overnight funds	6,840	10,615
Certificates of deposit with other banks	-	3,348
Loans, net of deferred fees	49,294	57,157
Allowance for loan losses	(1,605)	(1,305)
Premises and equipment, net	3,014	3,150
Other real estate owned	2,670	2,462
Other assets	737	883
Total assets	$ 63,237	$ 77,888
Customer deposits	$ 51,167	$ 53,377
Wholesale deposits	3,641	12,317
Borrowed funds	5,500	5,500
Other liabilities	187	354
Total liabilities	60,495	71,548
Common stock	8,577	7,705
Accumulated deficit	(5,835)	(1,365)
Shareholders' equity	2,742	6,340
Total liabilities and shareholders' equity	$ 63,237	$ 77,888