

Executive Management



STEVE GRAY

PRESIDENT & CHIEF EXECUTIVE OFFICER

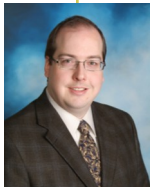
Steve joined the Bank in July 2008, and has over 20 years accounting and finance experience, including seven years with an international CPA firm and six years as Corporate Controller for Microsoft Corporation. Steve is a member of the Board of Directors of the Oregon Bankers Association and is active in several community organizations. A native Oregonian, Steve is a graduate of Oregon State University. 503-905-2217



GREG FROMAN

CHIEF CREDIT OFFICER & EXECUTIVE VICE PRESIDENT

Greg joined Pacific West Bank as Chief Credit Officer & Executive Vice President in 2010. With over 35 years of lending experience in the banking industry, Greg manages all facets of the Bank's credit administration and loan production functions. Greg is a previous chairperson of the Real Estate Lending Committee of the Oregon Bankers Association, a board member of Junior Achievement, and involved with the Boy Scouts. Greg is a graduate of Texas Tech University (BA 1971). 503-905-2218



BOB SEIBERT

CHIEF FINANCIAL OFFICER & SENIOR VICE PRESIDENT

Bob joined Pacific West Bank in 2008 and manages the Bank's finances, internal controls, and financial reporting. Bob has over 20 years experience at community banks in Oregon and is a member of the Oregon Bankers Association's Financial Officers and Investment, Human Resources, and Technology Committees. Bob holds BA and MBA degrees from Willamette University. 503-905-2226



CONNIE KEMP

CHIEF OPERATING OFFICER & SENIOR VICE PRESIDENT

Connie joined Pacific West Bank in April 2010 and was promoted to Chief Operating Officer in August 2010. Connie oversees all areas of operations and business development for the Bank. She has over 36 years of banking experience. Connie serves on Oregon Bankers Association Committees for Operations, Compliance and F.I.S.T and is a former Advisory Board Member and instructor at the Western Compliance School. Connie is a Graduate of Northwest Intermediate Banking School and is a Certified Regulatory Compliance Manager and Bank Compliance Officer. She is a director and member of the Soroptimist Club of Lake Oswego/West Linn and is a former Court Appointed Special Advocate (CASA). 503-905-2220



West Linn

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Lake Oswego

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Pacific West Bank Shareholders' Report

December 31, 2011



Dear Shareholders:

The fourth quarter of 2011 continued the fairly dramatic transformation of our balance sheet, including both the significant reduction of nonperforming assets and the accumulation of liquidity for use in future lending. For the year, nonperforming assets were reduced from \$6.6 million to \$1.5 million, while liquidity grew from \$9.1 million to \$17.6 million.

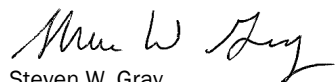
During the fourth quarter, the Bank paid off \$1 million of FHLB borrowings and refinanced \$3.5 million of additional borrowings, incurring \$204 thousand in prepayment penalties in order to take advantage of historically low borrowing rates and reduce our overall cost of funding.

The Bank remains adequately capitalized by regulatory standards. We intend to remain adequately capitalized while we achieve stabilization of our operations and return to profitability, and we ultimately intend to return to well capitalized status through earnings, through the eventual reversal of the full valuation allowance on our deferred tax assets (in excess of \$3 million), and potentially through additional stock offerings.

With the majority of troubled loans resolved, with the liquidity amassed to fund future loan growth, and with the reduced cost of funding brought by the FHLB refinances, we enter 2012 feeling confident in our return to profitability and long-term health.

Thank you for your ongoing support.

Sincerely,



Steven W. Gray
President & CEO

STATEMENTS OF OPERATIONS (in thousands) (unaudited)

	Three Months Ended	
	12/31/11	12/31/10
Interest and fee income	\$ 631	\$ 731
Interest expense	157	245
Net interest income	474	486
Provision for loan losses	(71)	747
Net interest income (loss) after provision	545	(261)
Noninterest income	27	19
Salaries and employee benefits	316	356
Other real estate owned	99	102
Occupancy	79	88
Prepayment penalty on FHLB borrowings	204	-
Other noninterest expense	207	233
Total noninterest expense	905	779
Loss before income taxes	(333)	(1,021)
Income tax expense	-	1
Net loss	\$ (333)	\$ (1,022)
	<u>Years Ended</u>	
	12/31/11	12/31/10
Interest and fee income	\$ 2,775	\$ 3,365
Interest expense	726	1,192
Net interest income	2,049	2,173
Provision for loan losses	860	3,519
Net interest income (loss) after provision	1,189	(1,346)
Noninterest income	121	67
Salaries and employee benefits	1,362	1,446
Other real estate owned	820	513
Occupancy	328	324
Prepayment penalty on FHLB borrowings	204	-
Other noninterest expense	811	904
Total noninterest expense	3,525	3,187
Loss before income taxes	(2,215)	(4,466)
Income tax expense	2	4
Net loss	\$ (2,217)	\$ (4,470)

BALANCE SHEETS (in thousands) (unaudited)

	12/31/11	12/31/10
	Cash and due from banks	\$ 3,708
Overnight funds	9,875	6,840
Investments	3,984	-
Loans, net of deferred fees	37,207	49,294
Allowance for loan losses	(1,215)	(1,605)
Premises and equipment, net	2,878	3,014
Other real estate owned	663	2,670
Other assets	706	737
Total assets	\$ 57,806	\$ 63,237
Customer deposits	\$ 50,288	\$ 51,167
Wholesale deposits	-	3,641
Borrowed funds	4,500	5,500
Other liabilities	140	187
Total liabilities	54,928	60,495
Common stock	10,930	8,577
Accumulated deficit	(8,052)	(5,835)
Shareholders' equity	2,878	2,742
Total liabilities and shareholders' equity	\$ 57,806	\$ 63,237

SUPPLEMENTAL INFORMATION (in thousands) (unaudited)

	12/31/11	12/31/10
Nonaccrual loans	\$ 875	\$ 3,902
Other real estate owned	663	2,670
Nonperforming assets	\$ 1,538	\$ 6,572
Tier 1 capital to average assets	4.92%	4.14%
Tier 1 capital to risk-weighted assets	7.52%	5.26%
Total capital to risk-weighted assets	8.80%	6.53%