

Second Quarter, 2016



To our Shareholders,

I am pleased to report that the second quarter of 2016 continued the positive trend in profitability and growth for Pacific West Bank.

The Bank had \$90 thousand in earnings in the second quarter, up from the \$64 thousand earned in the first quarter of 2016. This income growth was fueled primarily by loan portfolio growth, combined with ongoing expense containment. Loans increased by \$1.4 million in the second quarter of 2016 after having grown by \$3.8 million in the first quarter.

Our focus remains on strengthening existing relationships and building new ones, on both the loan and the deposit sides of the Bank. We're ensuring our suite of products meets the needs of our customer base, and to that end we continue to expand and improve our offerings.

Another step we're taking that will add to shareholder value is something we brought to you previously in our annual shareholder meeting mailing – a reverse stock split intended to “right-size” our value per share and number of shares, adding greater comparability and meaning to such key ratios as earnings per share. You can expect a mailer in the near future with further information on how that transaction will take place – we're working to make it as seamless and simple for our shareholders as possible.

Thank you once again for your ongoing support. Please don't hesitate to email me with questions, comments, or referrals at sgray@bankpacificwest.com.

Steve Gray
President and CEO

Second Quarter, 2016



STATEMENTS OF OPERATIONS
(in thousands) (unaudited)

	Three Months Ended	
	6/30/16	6/30/15
Interest and fee income	\$ 639	\$ 555
Interest expense	67	62
Net interest income	572	493
Provision for loan losses	-	-
Net interest income after provision	572	493
Noninterest income	33	29
Salaries and employee benefits	300	304
Occupancy	85	86
Other noninterest expense	128	131
Total noninterest expense	513	521
Income before income taxes	92	1
Income tax expense	2	-
Net income	\$ 90	\$ 1

BALANCE SHEETS
(in thousands) (unaudited)

	6/30/16	12/31/15
Cash and due from banks	\$ 1,053	\$ 1,079
Overnight funds	3,398	6,895
Investments	2,734	2,734
Loans, net of deferred fees	46,538	41,332
Allowance for loan losses	(712)	(712)
Premises and equipment, net	2,460	2,502
Other real estate owned	-	-
Other assets	340	295
Total assets	\$ 55,811	\$ 54,125
Deposits	\$ 48,384	\$ 47,822
Borrowed funds	1,000	-
Other liabilities	130	160
Total liabilities	49,514	47,982
Shareholders' equity	6,297	6,143
Total liabilities and shareholders' equity	\$ 55,811	\$ 54,125

	Six Months Ended	
	6/30/16	6/30/15
Interest and fee income	\$ 1,268	\$ 1,073
Interest expense	126	123
Net interest income	1,142	950
Provision for loan losses	-	(61)
Net interest income after provision	1,142	1,011
Noninterest income	64	55
Salaries and employee benefits	610	611
Occupancy	172	179
Other noninterest expense	268	265
Total noninterest expense	1,050	1,055
Income before income taxes	156	11
Income tax expense	2	-
Net income	\$ 154	\$ 11

SUPPLEMENTAL INFORMATION

	6/30/16	12/31/15
Allowance for loan loss as a percentage of loans	1.52%	1.72%
Past due loans, accruing (in thousands)	-	-
Nonaccrual loans (in thousands)	9	29
Tier 1 leverage ratio	11.10%	11.22%
Shares outstanding	7,064,544	7,064,544

Certain statements in this release may be deemed to be "forward-looking statements". Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.