



To our Shareholders,

The first quarter of 2016 was an exceptional quarter for Pacific West Bank.

As we previously announced, we achieved the target we have worked to realize for the past six years, and we earned the termination of our Consent Order from our regulators. While we are thrilled to have met that goal, perhaps even more satisfying is what we've accomplished as we redoubled our efforts on improving shareholder value.

We measure our success at improving shareholder value in a number of ways. Net income is, of course, the primary tangible measure of shareholder value generated. Growth in customer relationships – whether by number or by dollars – is another measure that can be used, although in both loans and deposits it is important to look at both quantity and quality of the relationship.

In the first quarter of 2016, we earned \$64 thousand in pre-tax, pre-provision earnings. That amount is up from the \$40 thousand earned in the fourth quarter of 2015, and is the strongest quarter we have had for pre-tax, pre-provision earnings since mid-2008.

Loan growth, which is the primary driver of earnings growth for us, has been strong, with loans having increased by \$3.8 million (nearly 10%) in the first quarter of 2016. With continuing loan growth anticipated, we expect earnings to continue the trend of improvement. We're building strong relationships along the way. In addition to the loan growth described above, our deposits grew by \$1.1 million in the quarter, with growth coming both from existing customers expanding their relationships with us as well as new clients being brought on.

Equally important from a shareholder value perspective is that the quality of these relationships is high. Indicators of asset quality in the loan portfolio remain strong, and the new loans we are bringing on come from high quality opportunities. On the deposit side, we continue to expand our portfolio of non-maturity deposits which traditionally signals more of a relationship account.

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



STATEMENTS OF OPERATIONS

(in thousands) (unaudited)

	Three Months Ended	
	3/31/16	3/31/15
Interest and fee income	\$ 629	\$ 518
Interest expense	<u>59</u>	<u>61</u>
Net interest income	570	457
Provision for loan losses	<u>-</u>	<u>(61)</u>
Net interest income after provision	<u>570</u>	<u>518</u>
Noninterest income	<u>31</u>	<u>26</u>
Salaries and employee benefits	310	307
Occupancy	87	93
Other noninterest expense	<u>140</u>	<u>134</u>
Total noninterest expense	<u>537</u>	<u>534</u>
Income before income taxes	64	10
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 64</u>	<u>\$ 10</u>

BALANCE SHEETS

(in thousands) (unaudited)

	3/31/16	12/31/15
Cash and due from banks	\$ 2,838	\$ 1,079
Overnight funds	3,375	6,895
Investments	2,734	2,734
Loans, net of deferred fees	45,124	41,332
Allowance for loan losses	(712)	(712)
Premises and equipment, net	2,484	2,502
Other real estate owned	-	-
Other assets	<u>373</u>	<u>295</u>
Total assets	<u>\$ 56,216</u>	<u>\$ 54,125</u>
Deposits	\$ 48,877	\$ 47,822
Borrowed funds	1,000	-
Other liabilities	<u>132</u>	<u>160</u>
Total liabilities	50,009	47,982
Shareholders' equity	<u>6,207</u>	<u>6,143</u>
Total liabilities and shareholders' equity	<u>\$ 56,216</u>	<u>\$ 54,125</u>

SUPPLEMENTAL INFORMATION

	3/31/16	12/31/15
Allowance for loan loss as a percentage of loans	1.58%	1.72%
Past due loans, accruing (in thousands)	-	-
Nonaccrual loans (in thousands)	21	29
Tier 1 capital to average assets	11.56%	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.