

August 7, 2009

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Market & Industry Overview

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National C&I Program

We have created a complete program allowing banks to efficiently underwrite national C&I loans with minimal origination costs and low ongoing service requirements. These C&I loans are fully funded, with interest rate floor protection, and have strong yields.

Overview

Well, the 2Q is officially behind us all and suffice it to say we are happy to see it go. The industry was once again buffeted by many cross-currents as community bankers worked through the deepest recession in five decades.

Through it all, Pacific Coast Bankers' Bancshares ("the Company") and its two subsidiaries, Pacific Coast Bankers' Bank ("PCBB") and Banc Investment Group, LLC ("BIG"), worked diligently to meet our community bank customer needs as a "silent partner." Our focus remained on delivering products and services that provided bankers an edge in capturing new customers, addressing asset quality issues, analyzing risks and improving profitability.

Here are some significant Company events during the quarter:

Enhancing Capital – The Company continued to build a "fortress" balance sheet, as overall capital at PCBB increased by 22% compared to the same period in 2008. At the end of the 2Q of 2009, PCBB had an extremely strong total risk-based capital ratio ("RBC") of 18.84%, Tier 1 RBC of 17.57% and a leverage ratio of 9.57%.

Increasing Reserves – We maintained a conservative approach to challenging economic conditions, boosting our loan loss reserve to \$9.1mm overall, compared to \$4.7mm at the end of the 2Q last year. This 97% year over year increase helped push our loan loss allowance to loan ratio from 1.44% at the end of 2Q 2008 to 2.99% at the end of the 2Q of 2009.

Underlying Strength – Despite the impact of significant one-time events that included the FDIC "special assessment," YTD through 2Q Company earnings delivered a 2.86% ROE and a 0.18% ROA.

Additional Liquidity – An increase in community bank client liquidity levels was also reflected in 2Q

Company performance. Overall, demand deposits at PCBB soared 209% compared to the 2Q of last year, while the "As Agent" Federal Funds Program ended the quarter at \$3.2 billion.

Risk Management – The Company continued to take steps to reduce concentrations in the loan portfolio, ending the 2Q with construction loans to total RBC at 40% and commercial real estate to total RBC at 258%. In addition, we continued to build our Enterprise Risk Management ("ERM") framework.

Annual Conference - Once again our annual Executive Management Conference ("EMC") in San Francisco drew hundreds of bank executives from across the country. The educational format provided updates on best practices in strategic planning, capital improvement, liquidity and risk management. If you were unable to attend this year, save the date for our May 2-5, 2010 EMC to be held in San Francisco, CA (details to follow).



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Company Highlights

Here are some selected (unaudited) highlights of the Company financial performance.

Second Quarter 2009:

- In our continuing effort to provide high quality products and services to community bankers, we hired three additional relationship managers and three International Services team members.
- Assets increased by 31%, compared to the end of 2Q 2008.
- Total deposits increased 166%, compared to the end of 2Q 2008.
- Capital ratios at PCBB reflected a position of strength, with a total RBC ratio at the end of 2Q of 18.84%, Tier 1 RBC ratio of 17.57% and leverage ratio of 9.57%.
- The loan loss reserve to loan ratio at PCBB increased to 2.99% at the end of 2Q 2009, compared to 1.44% for the same period last year.



Operating Results

The Company reported year-to-date (unaudited) net income through June 30, 2009 of \$0.6mm, despite non-recurring items that included a large FDIC one-time assessment of \$297k and allocated \$6.9mm to loan loss provisions. Earnings per share were \$0.51.

We supported our community bank clients' excess liquidity needs by designing and implementing the PCBB Federal Reserve Excess Balance Account ("EBA") Program on July 2nd.

Given that liquidity is critical to financial strength, during the period PCBB increased securities holdings by 72%.

The Company continued to readjust risk within the loan portfolio. As a result, compared to 2Q 2008, construction loans were reduced by 29%, residential contracted 26%

and CRE increased by 11%.

Given ongoing economic weakness, PCBB increased the allowance for loan losses during the period, boosting it by approximately 97% above 2Q 2008.

Net charge-offs for 2Q 2009 were \$4.6mm.

Despite the worst industry and economic environment in 50 years, the Company continued to deliver positive results to stakeholders.

In an effort to assist our clients during this period of intense stress, we still rolled out numerous improvements and updates to our cash management settlement system.

Credit Stress Analyzer

"We needed to adopt the CRE regulatory guidance before the next annual regulatory exam. The BIG system demo was very impressive, the choice was a no-brainer. The report has become a valuable enterprise wide risk management tool that also satisfies the regulatory requirement. I would highly recommend this system- by far the best choice out there for community banks."

- Charles Boulier,
Naugatuck Savings Bank

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Asset Quality

The Company remains focused on maintaining a “fortress” balance sheet and a vigilant risk management program designed around a conservative lending approach.

The Company maintains excess capital, has strong loan loss reserves, diligently reviews assets and liabilities and utilizes active portfolio risk

management techniques. These strategies not only helped ensure the Company was well protected during the year, but remained capable of fulfilling its long-term mission to provide a safe and secure financial services platform serving community bankers across the country.



As of June 30, 2009, PCBB had asset quality ratios of:

Ratio	6/30/2008	6/30/2009
Loss allowance to loans	1.44%	2.99%
Noncurrent assets plus OREO to assets	1.38%	3.02%
Net charge-offs to loans (annualized)	0.29%	3.02%

Liquidity and Capital Strength

In such a volatile environment, the strength and stability of the Company is more critical than ever to the community banks we serve. That is a key reason we have continued to focus on building and maintaining a “super-capitalized” equity position at PCBB well in excess of regulatory “Well Capitalized” thresholds.

As of June 30, 2009, PCBB had capital ratios of:

Ratio	Minimum “Well Capitalized” Level	6/30/2008	6/30/2009
Total Risk-Based	10.00%	14.76%	18.84%
Tier 1 Risk-Based	6.00%	13.53%	17.57%
Tier 1 Leverage	5.00%	10.31%	9.57%



International Services

PCBB understands that international banking has become an increasingly important component of banking and we are pleased to announce the expansion of our International Services team. We will be enhancing our same great products and offering a comprehensive suite of International Services to community banks across the country.

**PCBB 2009
Tactical Workshop
The Westin Seattle
Seattle, WA 90012
August 19, 2009
8:30AM — 4:00PM**

**RSVP TODAY
Call 888.399.1930
ext 142
(space is limited)**



In Summary

Ongoing economic weakness, increased credit losses, higher unemployment and customer strains are evident throughout the industry. The country is working through the 20th month of a recession that is by far the most severe in 50Ys.

Industry experts and regulators now predict there could be 200 to 500 bank failures through 2010. While it is too soon to say whether or not these figures are accurate, suffice it to say there is also an increasing number of experts who see light beginning to appear at the end of the tunnel - since we are optimistic by nature we will side with this group.

Deleveraging has become the norm for the industry and we expect bankers to continue to shrink balance sheets in order to improve capital ratios for the foreseeable future.

No matter what metric one uses, finding good news during this tumultuous period is difficult. The good news, however, is that nothing lasts forever.

Even the Federal Reserve recently indicated that they see signs economic activity has "begun to stabilize," so hopefully more light will appear soon. While job losses continue to mount and a consumer recovery is likely to be painfully slow, there are nascent signs that the recession may be coming to an end. As signs of stabilization slowly begin to appear, hope springs eternal.

At a company level, Pacific Coast Bankers' Bancshares serves only

community banks and as such, we are not immune from industry turmoil. Despite a significantly challenging market and unprecedented industry turmoil, however, we remain committed to providing not only the same high quality of service you have come to expect from us; but also a fortress balance sheet, maximum liquidity and ongoing support and expertise you can rely on.

Difficult challenges lie ahead from continued weakness in the economy, rising unemployment and deteriorating credit quality. Rest assured we will maintain our super-capitalized position, strong framework of risk management and continue to provide quality services.

Sincerely,

Steve Brown
President & CEO
Pacific Coast Bankers' Bancshares