



# 1Q 2010 Stakeholder Update

## PACIFIC COAST BANKERS' BANCSHARES REPORTS FINANCIAL RESULTS (UNAUDITED)

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### Upcoming Events

#### Tactical Workshops

July 27

Regency, Hyatt  
Chicago, IL

September 14

French Quarter Inn  
Charleston, SC

September 16

The Westin  
Falls Church, VA

Pacific Coast Bankers' Bancshares ("Company"), holding company of Pacific Coast Bankers' Bank ("PCBB") and the Banc Investment Group, LLC ("BIG"), today reported a first quarter net profit applicable to common shareholders of \$169,000 or \$0.13 per diluted share, compared to a net loss of \$7.08 million or \$5.46 per diluted share for the year ended 2009.

"I am pleased to announce the aggressive steps we took last year to address risks in our loan portfolio, particularly related to bank holding company loans and AD&C exposure, have resulted in improved performance during the first quarter of 2010. By virtually eliminating ongoing exposure in these sectors, we significantly de-risked the entire loan portfolio," said Steve Brown, President and Chief Executive Officer.

"The steps taken positioned the Company for maximum flexibility and limited ongoing risk. In addition, our super-capitalized equity levels, very low asset leverage and some of the highest liquidity of any bank in the country have prepared us well during these turbulent times. While economic challenges remain, there have been clear and broad-based improvements in underlying trends, so we are optimistic that the worst of the credit crisis is behind the industry. The actions we took last year at the Company and the flexibility created as a result, gives us the unique opportunity to support our community bank clients now and in the future."



## 1Q 2010 BUSINESS HIGHLIGHTS

### CASH MANAGEMENT SERVICES

PCBB provides the most comprehensive real time cash management solutions to community banks; providing access to Settlement/Clearing, "As Agent" services, International Wire and Domestic Wire services.

Our online platform, Correspondent Bank Connection, provides you with a more convenient way to process all of your cash management needs with one log-in, on one system.

#### Other Features:

OFAC Services

ACH Services

Wire TT&L Payments

Transaction Processing

- Capital strength remained among the highest level of financial institutions in the country, as PCBB reported:
  - ◇ 8.05 % Leverage Capital Ratio
  - ◇ 22.09% Tier 1 Risk-Based Capital Ratio
  - ◇ 23.35% Total Risk-Based Capital Ratio
- Deleveraged risk from the balance sheet, as the loan to deposit ratio was reduced to 41%
- Liquidity was exceptionally strong; as cash, securities and short term investments climbed to 55% of total assets
- Gross loans fell 7% in 1Q, as PCBB continued to reduce overall credit exposure
- The loan loss reserve to loan ratio increased to 3.21% in 1Q from 2.99% as of the end of 2009
- The Texas Ratio was 40%
- Recorded a first quarter provision for loan losses of approximately \$1.0mm
- Company grew its customer base by more than 30% compared to 1Q 2009, ending the quarter with one in seven US banks as clients
- Maintained high levels of untapped wholesale liquidity, with minimal brokered deposits, no outstanding FHLB Advances, FRB borrowings or Principal Fed Funds borrowings
- Deposit customers increased sharply and existing clients left higher deposit balances, as DDAs jumped 133% YOY
- As of the end of the 1Q, bank holding company loans totaled \$2.2mm remaining

## FINANCIAL SUMMARY

### REVENUE AND EXPENSE

The Company was pleased to report net interest income equaled that of 4Q 2009, despite aggressive deleveraging of the loan portfolio. Non-interest income increased 12% over 4Q 2009, primarily as a result of an increase in loan brokerage and consulting revenue. Non-interest expense increased 2% over 4Q 2009, primarily as a result of increased FDIC assessment expense.

### CAPITAL, ASSET QUALITY AND LIQUIDITY

Capital strength remained among the highest levels of financial institutions in the country, as PCBB reported Leverage Capital Ratio of 8.05%, Tier 1 Risk-Based Capital Ratio of 22.09% and Total Risk-Based Capital Ratio of 23.35%. Compared to the prior year, Tier 1 Risk-Based Capital jumped 35% from 16.32% and Total Risk-Based Capital increased 33% from 17.58%.

Liquidity remained exceptionally strong; as cash, securities and short term investments climbed to 55% of total assets.

#### PCBB had capital ratios of:

Ratio	Minimum "Well Capitalized" Level	3/31/2009	3/31/2010
Total Risk-Based	10.00%	17.58%	23.35%
Tier 1 Risk-Based	6.00%	16.32%	22.09%
Tier 1 Leverage	5.00%	9.78%	8.05%

### RISK MANAGEMENT

In the first quarter of 2010, the Company continued an aggressive approach to managing credit, reducing the loan portfolio by 7%. In addition, the loan loss reserve to loan ratio increased to 3.21% from 2.99% as of the end of 2009.

### CUSTOMER ACTIVITY

The Company was successful in acquiring new customers, ending the 1Q with one in seven US banks as clients.



### INTERNATIONAL SERVICES

International Services enable community banks to provide comprehensive support to retail and commercial customer international activities through an online platform that delivers full auditing and reporting capabilities.

#### Other Features:

Foreign Wire Transfers (outgoing and incoming)

Foreign Exchange

Forward Contracts for Hedging

Foreign Cash Currency Orders/Shipments

Foreign Drafts

Foreign Cash Letters & Clean Collections

SWIFT Messaging

Advisory Services



## CREDIT STRESS ANALYZER

Identifies, measures and assists you in monitoring and controlling risk in the loan portfolio

Analyzes how current and changing trends in business environment conditions can impact loan performance and capital adequacy

Assists with regulatory guidance compliance

## IN CLOSING

Now that the 1Q is behind us, it is clear that with each passing day, credit conditions appear to be slowly recovering. While nascent recovery can be seen, given uncertain industry and economic conditions worldwide, we continue to be vigilant in our risk management.

We also continue to provide support to hundreds of community banks across the country, as we remain steadfastly focused on building long-term shareholder value. Recent examples of actions we have taken to control risk, while supporting our community bank customers include the following:

- Maintaining strong capital levels of 8.05% Leverage, 22.09% Tier 1 and 23.35% Total Risk-Based
- Eliminated nearly all of our bank holding company loan exposure over the last 15 months, continuing a de-risking process begun 2Ys ago. While some of our competitors have yet to take such action and are still carrying large exposures, we chose to essentially remove this risk from our balance sheet to protect shareholders, capital levels and customers
- Maintained significantly high levels of liquidity, with 55% of the balance sheet as of 1Q held in cash and securities. In addition, we held only \$10 million in wholesale funding and had no Fed Funds purchased
- Continued to participate in the FDIC Transaction Account Guarantee (“TAG”) program through December 31, 2010
- “As Agent” Program reached \$5B in EBA and balances continue to grow
- YOY customer growth exceeds 30%, as community banks overwhelmingly select our robust and extensive product suite over the competition

It is important to note that as we proactively manage our risk, we never lose focus of our most important objective – assisting community banks across the country in navigating this crisis, improving performance and meeting the needs of their own customers.

On behalf of the Company, I would like to thank you for your support of Pacific Coast Bankers’ Bancshares, as we continue to find solutions to meet your needs and exceed your expectations.

Sincerely,

Steve Brown  
President & CEO  
Pacific Coast Bankers’ Bancshares

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