



**Desert
Commercial
Bank**

April 19, 2011

Dear Shareholder,

Our Advisory Boards in Palm Desert and El Centro, comprised of business leaders in each region, played a significant role in Desert Commercial Bank's first quarter 2011 results. Their outreach into the community, supported by coordinated business development activities from Branch Managers and staff, produced more than \$15 million in year-over-year deposit growth. These lower-cost deposits helped fund the Bank's Q1 loan growth, as well as contribute to a \$14.6 million increase in assets.

Financial Highlights

Balance Sheet (000's)	<u>3/31/2011</u>	<u>3/31/2010</u>	<u>Variance</u>
Assets	153,041	138,403	14,618
Deposits	136,616	121,558	15,058
Loans	109,813	105,090	4,723
Non-Accrual Loans	2,521	2,258	263

Another sign of progress can be found in the substantial reduction of non-accrual loans, which had increased by \$9.8 million at year-end 2010. As of March 31, non-accruals decreased sharply to \$2,521,000. This welcomed improvement was not without some cost, however, and required an increase of \$253,000 in loan loss provision, as shown in the table below.

Income Statement (000's)	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Interest Income	2,097	1,933	164
Interest Expense	320	336	<16>
Loan Loss Provision	322	69	253
Non-Interest Income	46	122	<26>
Non-Interest Expense	1,875	1,576	299
Net Income	<374>	74	<448>

The negative variance in non-interest expense reflects increased legal and other expertise required for on-going litigation, including those required to resolve non-accrual loans discussed above. That expense, along with the additional loan loss provision, adversely affected quarterly net income for the quarter.

- more -

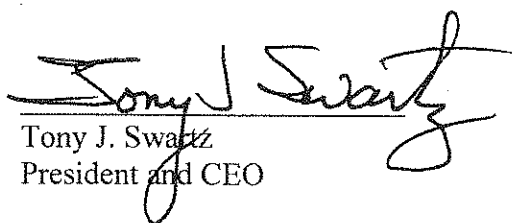
Capital ratios at Desert Commercial Bank remain strong and are well above the regulatory minimums:

	<u>Regulatory Minimums</u>	<u>DCBC</u>
Tier One Leverage	5 %	10.77 %
Tier One Risk Based	9 %	13.09 %
Total Risk Based	10 %	14.35 %

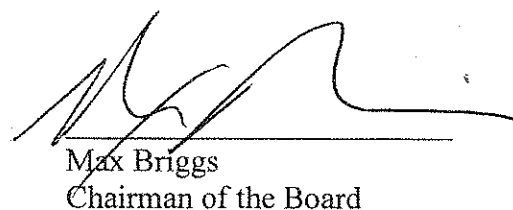
Liquidity continues strong with a loan to deposit ratio of 80.38 % at 3/31/2011 compared to 86.45 % as of 3/31/2010.

The Board and Management remain diligent and will continue to work through this slowly improving economy. We appreciate your continued support and your business.

Very Best Regards,



Tony J. Swartz
President and CEO



Max Briggs
Chairman of the Board