

“.....building a better bank.....”

In 2005, along with the formation of “Western Community Bancshares, Inc.,” your board of directors approved several organizational changes. These changes will facilitate our organization as it continues to evolve, take advantage of opportunities and realize a greater potential. In addition, as you know, in a reorganization completed last fall you are now shareholders of Western Community Bancshares and Western Community Bancshares is the sole shareholder of Frontier Bank. Shortly you will be receiving a letter outlining procedures for you to return your shares of Frontier Bank to us in exchange for an equal number of shares of Western Community Bancshares. It has been an eventful and we believe successful year. Over the next five years, we envision continuing to build the solid foundation of our first eight years. We look forward to significantly expanding our community banking operations in both Utah and California and maintaining our focus on building a better bank.



This year, we anticipate the opening of two new banking facilities. In California, our “Marketplace Branch” is scheduled to open in the late fall and is already achieving very successful results out of a temporary facility. Shortly thereafter, construction of our new headquarters building will be completed in Park City, which will provide our customers with a greatly improved and much more accessible banking location. Both of these locations will enhance our ability to deliver products and services to both existing and new customers.



LOCATIONS:

El Paseo Bank
74175 El Paseo
Palm Desert, CA 92260

77844 Las Montanas Suite B
Palm Desert, CA 92211

Frontier Bank
1245 Deer Valley Dr.
Park City, Utah 84060

7410 South Creek Road
Sandy, Utah 84093

BOARD OF DIRECTORS

- James F. Montgomery
- Andrew Montgomery
- Merlin Olsen
- Paul Schosberg
- Raymond J. Gustini
- David Karnes
- Clifford Miller
- F. Marc Estabrook
- Alvin V. Shoemaker

EXECUTIVE OFFICERS

- WESTERN COMMUNITY BANCSHARES, INC.**
Andrew S. Montgomery
President and Chief Executive Officer
- F. Marc Estabrook*
Chief Financial Officer
- Chris Wold*
Chief Credit Administrator
- Molly Montgomery*
Secretary and Treasurer
- FRONTIER BANK**
Andrew Volkman
President
- EL PASEO BANK**
Steven Gralla
Senior Vice President of Lending

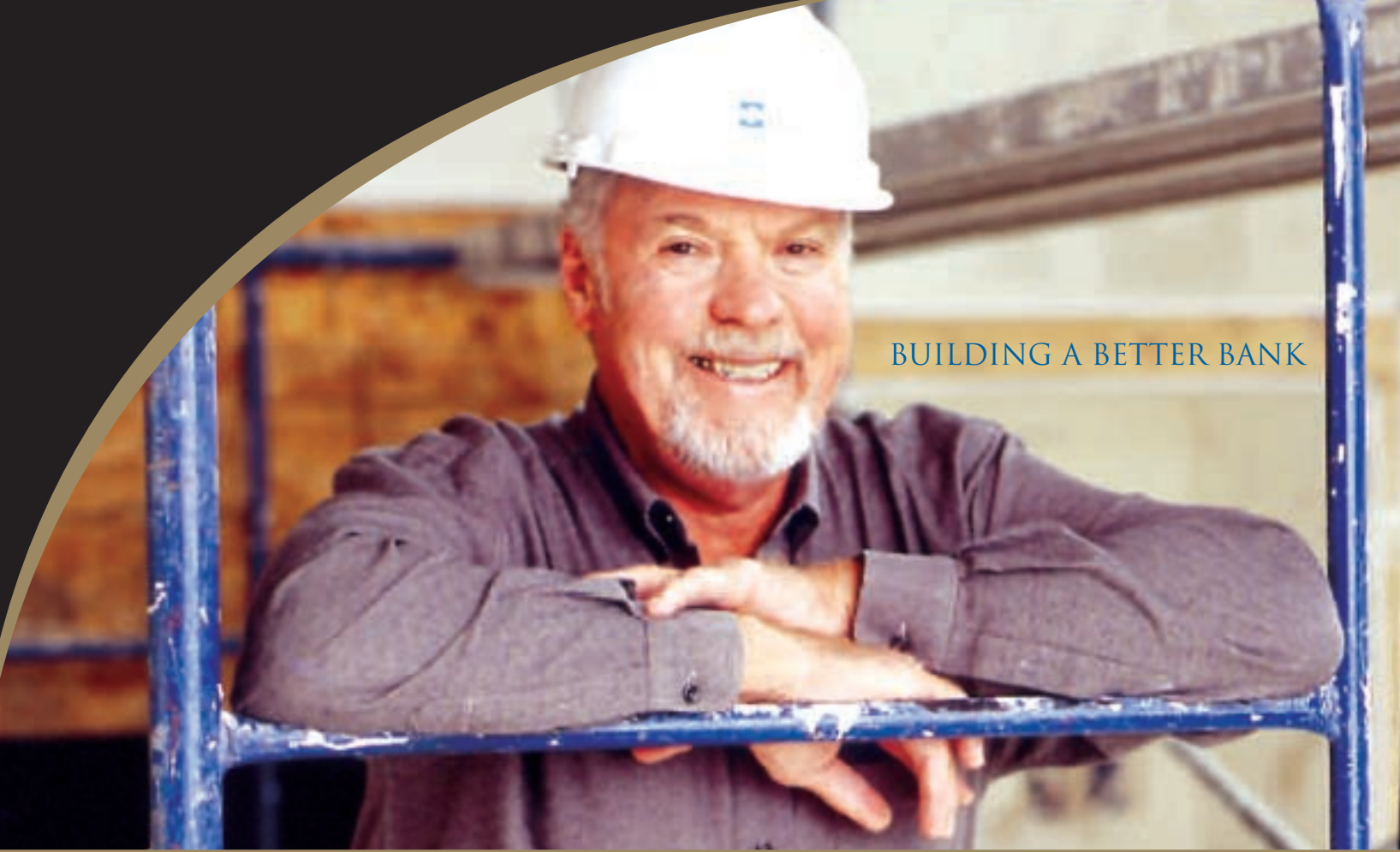
As always, we thank you for your support.
Sincerely,

James F. Montgomery
Chairman

Andrew S. Montgomery
Chief Executive Officer



BUILDING A BETTER BANK



Western Community Bancshares

ANNUAL REPORT

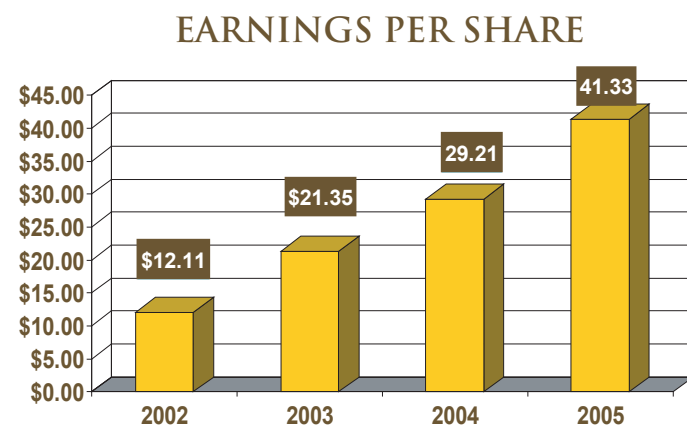
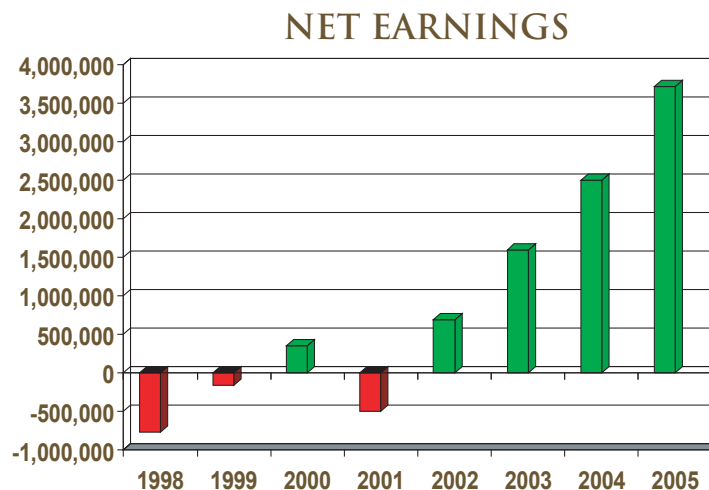
2005

To Our Shareholders

By almost every measure, Western Community Bancshares, and its wholly-owned subsidiary, Frontier Bank, FSB, had another outstanding year in 2005. For the year, the bank experienced significant growth in earnings, assets, deposits and loans. Our net interest margin remained relatively unchanged, despite a flattening yield curve in which short term rates increased to levels nearly equal to long term rates. We are also very pleased to report that the bank ended the year with virtually no problem loans, a trend that has marked our bank since its founding. We also formed a holding company and created an organizational structure, which will better enable management and the board of directors to execute its vision of creating a larger, more sophisticated and rewarding financial institution.

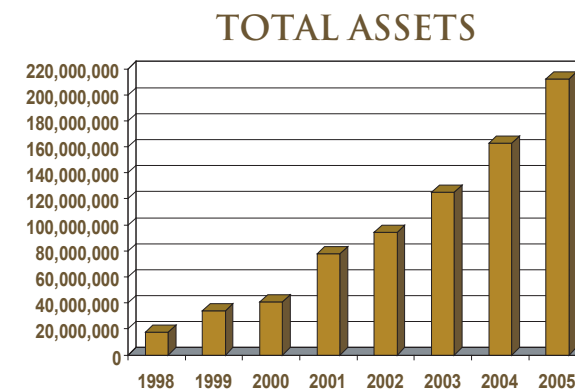
“.....earnings growth of more than 48%.....”

In 2005, Western Community Bancshares, Inc. achieved consolidated earnings growth of more than 48% over the comparable period in 2004. For the year, the bank earned \$3,711,975, or \$41.34 per share, versus \$2,499,908, or \$29.20 per share, in 2004. This performance translates to a pre-tax return on average equity (ROAE) of 26.3% and on average assets (ROAA) of 1.84%. The strong growth in earnings in 2005 was a result of an increase in interest income, primarily from substantial gains in the bank's net loans receivable. Earnings were also impacted in 2005 and will be over the next few years by various organizational expenses, as the bank absorbs costs that are necessary to support its future advancement.



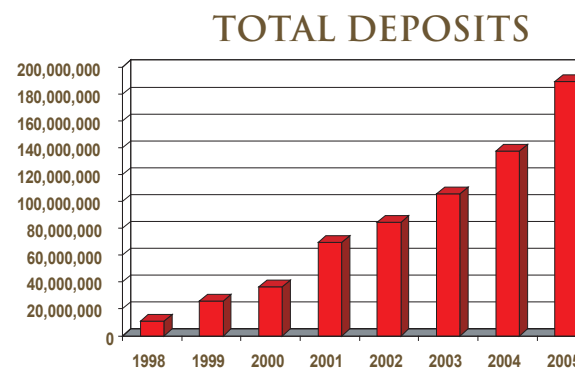
“.....assets increased by more than 30%.....”

For the third consecutive year, total assets increased by more than 30%. In fact, from 2002 to 2005, Frontier Bank, FSB more than doubled the size of its assets. By the end of 2005, total assets for the bank were greater than \$212 million. As market conditions continued to gain strength in Utah, and as our office in Sandy achieved greater momentum, the Frontier Bank division of the bank grew at a faster pace than the El Paseo Bank division for the first time since 2001. At year end, assets were nearly equally divided between our Utah and California operations.



“.....deposits grew by more than 37%.....”

Total deposits grew by more than 37% in 2005 to slightly greater than \$189 million. While the bank achieved growth in all deposit categories, we did particularly well in demand deposit accounts, as those balances increased by more than 57% over the prior year. This is significant as these very low cost, core deposits should enable our cost of funds to achieve more stability in the face of rising interest rates and compression of our interest rate margins. At year-end, 78% of the bank's deposits consisted of lower cost demand and money market accounts, contributing to an overall cost of deposits of 1.66%. We believe that this low cost of funds is considerably lower than our thrift peer group and compares very favorably with commercial banks of comparable size.



“.....loan volume exceeding \$200 million for the first time ever.....”

Frontier Bank, FSB had another tremendous year in lending. With total loan volume exceeding \$200 million for the first time ever, the bank grew its total loans outstanding by 32% to \$176 million. Loan volume was fairly evenly split between the Frontier Bank and El Paseo Bank operations. Credit quality remains outstanding with virtually no problem or impaired loans at year-end. Total loan charge offs in 2005 were \$3,550 and the allowance for doubtful accounts increased by \$191 thousand to a balance of just greater than \$1.6 million.

The yield on the loan portfolio at year-end remained substantially unchanged from the previous year at 7.54%. The bank's net interest margin decreased slightly to 5.20% from the previous year to 5.24%. Given the current interest rate environment and yield curve, we anticipate further compression of our net interest margin in 2006, but believe the make-up of our loan and deposit portfolios, characterized by high yields on loans and a very low cost of funds, give us a tremendous advantage over many of our peers.

