

*First Quarter 2023*



**FOR IMMEDIATE RELEASE:** April 26, 2023

## **Pacific West Bancorp (PWBK) Announces First Quarter 2023 Earnings**

Portland, Oregon, April 26, 2023. – Pacific West Bancorp (PWBK) the holding company of Pacific West Bank “PWB,” today announced first quarter net income of \$235 thousand or \$0.09 per diluted share.

### **First Quarter 2023 highlights:**

- Strategic partnership formed between the leading banking-as-a-service platform, Unit, and PWB.
- Welcomed a new lending team in Vancouver, WA, with an office expected to be opened in the second quarter.
- Total loan balance increased by 2.4% quarter-over-quarter, and 7.4% year-over-year.
- No non-accrual loans or past-due loans greater than 30 days as of quarter-end.
- Implemented a new allowance for credit losses (ACL) methodology as required under accounting guidance for Current and Expected Credit Losses (CECL) starting fiscal year 2023. As a result, the Bank has increased ACL by 8.5% since yearend 2022.
- Capital levels as of March 31, 2023, remained strong with a leverage ratio of 12.83%, up from 12.59% as of December 31, 2022.
- Total deposit balance decreased by 5% quarter-over-quarter but increased by 4% year-over-year.
- Total assets as of quarter-end were \$298 million.

"We are thrilled to announce the formation of our new Vancouver team, which represents a strategic move to strengthen our presence on the I-5 corridor. With our expanded team, we are well-positioned to better serve the needs of businesses in Vancouver, providing them with tailored banking solutions and personalized service from local bankers," said Jason Wessling, PWB's President. "We are also pleased to announce our strategic partnership with Unit, a leading banking-as-a-service provider. Together, we will leverage our combined expertise and capabilities to deliver innovative banking solutions that will enable us to meet the evolving needs of our clients in today's fast-paced, digital-first environment. We are confident this strategic partnership will open up new possibilities, and we look forward to a successful collaboration."

Average asset yield for the first quarter 2023 was 4.9%, which has been steadily increasing and was up by 75 basis points year-over-year, and up by 17 basis points quarter-over-quarter. Additionally, the Bank kept the cost of funds low for most of the rate hiking cycle. The Bank realizes the importance of maintaining a strong relationship with our clients in a competitive rate environment. As a result, the Bank's cost of funds increased by 38 basis points quarter-over quarter and was 0.97% for first quarter 2023. Net interest margin was 3.92% for

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the first quarter of 2023, a decrease of 23 basis points quarter-over-quarter and a decrease of 5 basis points year-over-year. The rising interest rate environment continued to boost loan interest income, which was \$2.6 million in first quarter 2023 or a 2.6% increase quarter-over-quarter and 28.3% increase year-over-year.

Total deposits as of first quarter 2023 were \$227 million, which was a decrease of 5% quarter-over-quarter and an increase of 4.1% year-over-year. “As a commercial bank we typically experience deposit seasonality during the first quarter due to businesses making cash distributions and tax payments,” said Lisa Faust, PWB’s Chief Deposit Officer. “Further, despite the recent industry deposit contraction due to a higher interest rate environment and sudden bank closures, PWB has demonstrated resiliency and continues maintaining strong relationships with our clients. With our experienced banking team and highly personalized services dedicated to our clients, we are positioned to achieve accelerated deposit growth.”

During the first quarter 2023 the Bank implemented CECL in calculating ACL, which resulted in an increase in the reserve by \$542 thousand compared to ACL as of fourth quarter 2022. ACL for both loans and held to maturity (HTM) securities totaled \$3.2 million or 1.45% of total loans and HTM securities as of March 31, 2023. During the quarter, the Bank reversed \$138 thousand of default interest income on a loan in technical default, while the loan payments remain current. While we believe the default interest is ultimately collectible, this adjustment provides for the most conservative accounting treatment for this loan. Further, asset quality continues to be strong as there were no loans past due greater than 30 days, or on non-accrual status as of March 31, 2023. As economic uncertainties remain, the Bank continues to diligently monitor the loan portfolio.

Total investments as of March 31, 2023, represented 17% of total assets with 3% of total assets in HTM and 14% in Available for Sale (AFS). Accounting rules require the Bank to mark investments held as Available for Sale to their market price. As of March 31, 2023, accounting rules required an equity adjustment of (\$2.7) million for the unrealized loss on the portfolio. This was an improvement of \$500 thousand when compared to yearend 2022, when the equity adjustment was (\$3.2) million. Accounting rules do not require the Bank to report on unrealized losses on the HTM portfolio, however, there was an unrealized loss of (\$743) thousand as of March 31, 2023, which had not been adjusted through equity. These unrealized losses are due to fluctuations in market interest rates and the Bank does not expect to realize a loss on these securities.

**About Pacific West Bancorp:** Information about the Holding Company’s stock is available through the over-the-counter marketplace at [www.otcmarkets.com](http://www.otcmarkets.com) (symbol PWBK).

Pacific West Bank was formed in 2004 by Portland businesspeople to deliver loan and deposit product solutions through experienced and professional bankers to businesses, nonprofits, professionals, and individuals. The Bank serves the greater Portland Metro area with offices strategically located in Downtown Portland, Lake Oswego, West Linn, and coming soon to Vancouver, WA.

*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.*

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Balance Sheets  
(amounts in 000s, except per share data and ratios)

	3/31/2023	12/31/2022	% Change QOQ	3/31/2022	% Change YOY
<b>ASSETS</b>					
Cash & due from banks	\$ 27,364	\$ 13,999	95.5%	\$ 20,562	33.1%
Investments - CD	996	2,485	-59.9%	2,685	-62.9%
Investments - Debt Securities HTM	7,746	7,745	0.0%	6,745	14.8%
Allowance for HTM	(324)	-		-	
Investments - Debt Securities AFS	<u>43,102</u>	<u>43,077</u>	0.1%	<u>26,661</u>	61.7%
Net Investments - Debt Securities	50,523	50,822	-0.6%	33,406	51.2%
Investments - Correspondent Stock	1,190	1,030	15.5%	1,030	15.5%
Gross loans net of fees	208,631	203,666	2.4%	193,999	7.5%
Allowance for Loans and Leases	<u>(2,804)</u>	<u>(2,585)</u>	8.5%	<u>(2,375)</u>	18.1%
Net loans	205,827	201,081	2.4%	191,624	7.4%
Premises and equipment, net	4,272	4,175	2.3%	4,329	-1.3%
Deferred tax asset, net	1,481	1,559	-5.0%	1,879	-21.2%
BOLI	4,272	4,239	0.8%	4,136	3.3%
Other assets	<u>2,514</u>	<u>2,475</u>	1.6%	<u>1,155</u>	117.7%
<b>Total Assets</b>	<b>\$ 298,438</b>	<b>\$ 281,866</b>	5.9%	<b>\$ 260,806</b>	14.4%
<b>LIABILITIES</b>					
Deposits	\$ 227,937	\$ 240,090	-5.1%	\$ 219,019	4.1%
Borrowed funds	33,784	5,000	575.7%	5,000	575.7%
Other liabilities	<u>2,512</u>	<u>2,746</u>	-8.5%	<u>2,565</u>	-2.1%
<b>Total Liabilities</b>	<b>264,233</b>	<b>247,836</b>	6.6%	<b>226,585</b>	16.6%
<b>STOCKHOLDERS' EQUITY</b>					
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 298,438</b>	<b>\$ 281,866</b>	5.9%	<b>\$ 260,806</b>	14.4%
Shares outstanding at end-of-period	2,671,399	2,667,633		2,662,957	
Book value per share	\$ 12.80	\$ 12.76		\$ 12.85	
Allowance for credit losses to total loans and HTM	1.45%	1.27%		1.22%	
Non-performing assets (non-accrual loans and OREO)	\$ -	\$ -		\$ -	
Leverage Ratio	12.83%	12.59%		12.75%	

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Statements of Net Income  
(amounts in 000s, except per share data and ratios)

	For the Quarter Ended			Year to Date		
	3/31/2023	12/31/2022	% Change	3/31/2023	3/31/2022	% Change
<b>INTEREST INCOME</b>						
Loans Interest Income	\$ 2,605	\$ 2,540	2.6%	\$ 2,605	\$ 2,031	28.3%
Investments & due from banks	535	656	-18.4%	535	204	162.3%
Loan fee income	64	47	38.0%	64	411	-84.4%
<b>Total interest income</b>	<b>3,204</b>	<b>3,243</b>	<b>-1.2%</b>	<b>3,204</b>	<b>2,646</b>	<b>21.1%</b>
<b>INTEREST EXPENSE</b>	<b>636</b>	<b>399</b>	<b>59.6%</b>	<b>636</b>	<b>113</b>	<b>461.7%</b>
<b>NET INTEREST INCOME BEFORE LOAN LOSS PROVISION</b>	<b>2,568</b>	<b>2,844</b>	<b>-9.7%</b>	<b>2,568</b>	<b>2,533</b>	<b>1.4%</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>150</b>	<b>60</b>	<b>150.0%</b>	<b>150</b>	<b>150</b>	<b>0.0%</b>
<b>NET INTEREST INCOME AFTER LOAN LOSS PROVISION</b>	<b>2,418</b>	<b>2,784</b>	<b>-13.1%</b>	<b>2,418</b>	<b>2,383</b>	<b>1.5%</b>
<b>NON-INTEREST INCOME</b>	<b>191</b>	<b>192</b>	<b>-0.5%</b>	<b>191</b>	<b>71</b>	<b>168.9%</b>
<b>NON-INTEREST EXPENSE</b>	<b>2,277</b>	<b>2,292</b>	<b>-0.6%</b>	<b>2,277</b>	<b>1,978</b>	<b>15.1%</b>
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<b>332</b>	<b>684</b>	<b>-51.5%</b>	<b>332</b>	<b>476</b>	<b>-30.3%</b>
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	<b>97</b>	<b>122</b>	<b>-20.9%</b>	<b>97</b>	<b>122</b>	<b>-20.9%</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 235</b>	<b>\$ 561</b>	<b>-58.1%</b>	<b>\$ 235</b>	<b>\$ 354</b>	<b>-33.6%</b>
Earnings per share - Basic	\$ 0.09	\$ 0.21		\$ 0.09	\$ 0.13	
Earnings per share - Diluted	\$ 0.09	\$ 0.21		\$ 0.09	\$ 0.13	
Return on average equity	2.82%	6.66%		2.82%	4.09%	
Return on average assets	0.34%	0.77%		0.34%	0.53%	
Net interest margin	3.92%	4.15%		3.92%	3.97%	
Efficiency ratio	83%	76%		83%	76%	