

*Second Quarter 2023*



**FOR IMMEDIATE RELEASE:** July 26<sup>th</sup>, 2023

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

Portland, Oregon, July 26<sup>th</sup>, 2023. – Pacific West Bancorp (PWBK), the holding company of Pacific West Bank (PWB), today announced a second quarter net loss of \$122 thousand or \$0.05 per diluted share. Additionally, PWBK announced year-to-date net income of \$113 thousand or \$0.04 per diluted share.

### **Second Quarter 2023 highlights:**

- Opened a new office location in Vancouver, WA's new business district, expanding the Bank's footprint into Southwest Washington.
- Total loans increased by 4.5% quarter-over-quarter and by 14.2% year-over-year.
- There were no non-accrual loans nor past-due loans greater than 30 days as of quarter-end.
- Competitive pressure from non-banks and US treasuries resulted in total deposit balances decreasing only 3.6% quarter-over-quarter and by 5.3% year-over-year.
- The Bank's capital position remained strong and well above regulatory requirement with a leverage ratio of 11.98% as of quarter-end.
- Total assets as of quarter-end were \$295 million.

"While the banking industry faced challenges during the second quarter, PWB retains a positive outlook and an unwavering commitment to our clients and communities in which we serve," said Jason Wessling, President and CFO of PWB. "We are excited about the strategic initiatives we have recently undertaken to embrace the digital future and expand our footprint into Southwest Washington. PWB is positioned to launch its first Fintech partnership in the third quarter, which will diversify our ability to grow deposits and non-interest income. During the second quarter PWB established an office in The Murdock building in the heart of Vancouver's beautiful new waterfront business district. Our new Southwest Washington presence is led by Robert Greenawald, a highly esteemed and seasoned banker with 20 years of experience in Vancouver."

During the second quarter the Bank originated or renewed \$18.3 million in loans with a weighted average yield of 8.03%. Average asset yield increased 14 basis points to 5.04% for the quarter when compared to 4.90% for the prior quarter. Asset yield increased 69 basis points when compared to the same period in the prior year. The total interest income in the second quarter 2023 was \$3.6 million, which was 11.4% growth quarter-over-quarter and 24.7% growth year-over-year.

Loans grew by \$9.0 million during the quarter and ended at \$218 million. This was a 4.5% increase quarter-over-quarter and a 14.2% increase year-over-year. There were no loans past due greater than 30 days and no non-accrual loans as of quarter-end, which depicts the Bank's strong loan quality. As the economic environment

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continues to unfold and interest rates rise, the Bank has increased its unwavering focus on monitoring its loan portfolio. The Bank's allowance for credit loss for loans was \$2.89 million as of second quarter 2023, which was an increase of \$84 thousand compared to the first quarter of 2023 driven by loan growth during the quarter.

"Amidst the challenges posed by rapidly rising interest rates and the recent bank failures, we are proud to highlight our successful efforts in retaining clients during the crisis," said Lisa Faust, PWB's Chief Deposit Officer. "These challenges included the unfortunate confusion with a similarly named California bank, that was reported to be having difficulty. Our team of experienced Bankers worked closely with our clients to navigate through these times of uncertainty and retain their business."

During the crisis the Bank worked closely with many clients to move their deposits into deposit network accounts to provide full FDIC insurance coverage. Total deposits as of the quarter-end were \$219 million, which was a decrease of 3.6% compared to the prior quarter-end. Only 30% of total deposits were uninsured at quarter-end, which was covered 1.5X by the Bank's access to both on and off-balance sheet liquidity.

Rapidly rising interest rates and competitive pressures led to an increase in the cost of funds of 77 basis points compared to the prior quarter. As previously noted, asset yield increased 14 basis points during the quarter, which did not keep pace with the increased costs of deposits. These factors led to a decrease in net interest margin of 61 basis points during the quarter. The Bank executed a \$20 million interest rate swap agreement in June 2023 to take advantage of the higher interest rate environment. As of quarter-end the swap contract had a gain of \$185 thousand. The available for sale security portfolio had a \$2.9 million unrealized loss as of quarter-end which was adjusted through equity as required by generally accepted accounting principles ("GAAP"). The held to maturity portfolio had an unrealized loss of \$1.0 million which was not adjusted through equity according to GAAP. The Bank does not plan on selling any of its securities and recognizing any of these unrealized losses.

"While we navigate the complexities of a challenging interest rate environment, we are confident that our strong capital position will allow continued growth of our balance sheet and earnings," said Terry Peterson, PWB's CEO. "By fostering meaningful partnerships with Fintech firms, and with our ability to grow an additional \$100 million in total assets in a higher interest rate environment, we are confident that our bank is well-positioned to deliver long-term value for our shareholders."

**About Pacific West Bancorp:** Information about the Holding Company's stock is available through the over-the-counter marketplace at [www.otcmartets.com](http://www.otcmartets.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 now in 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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# PACIFIC WEST BANCORP

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

	6/30/2023	3/31/2023	% Change QOQ	12/31/2022	% Change YTD
<b>ASSETS</b>					
Cash & Due from Banks	\$ 15,227	\$ 27,364	-44.4%	\$ 13,999	8.8%
Investments - CD	996	996	0.0%	2,485	-59.9%
Investments - Debt Securities HTM	7,746	7,746	0.0%	7,745	0.0%
Allowance for HTM	(330)	(324)	1.9%	-	
Investments - Debt Securities AFS	<u>41,909</u>	<u>43,102</u>	-2.8%	<u>43,077</u>	-2.7%
Net Investments - Debt Securities	49,325	50,523	-2.4%	50,822	-2.9%
Investments - Correspondent Stock	1,390	1,190	16.8%	1,030	35.0%
Gross Loans Net of Fees	218,102	208,631	4.5%	203,666	7.1%
Allowance for Loans and Leases	<u>(2,888)</u>	<u>(2,804)</u>	3.0%	<u>(2,585)</u>	11.7%
Net loans	215,214	205,827	4.6%	201,081	7.0%
Premises and Equipment, Net	4,752	4,272	11.2%	4,175	13.8%
Deferred Tax Asset, Net	1,540	1,481	4.0%	1,559	-1.3%
BOLI	4,311	4,272	0.9%	4,239	1.7%
Other Assets	<u>2,847</u>	<u>2,514</u>	13.2%	<u>2,475</u>	15.0%
<b>Total Assets</b>	<u>\$ 295,602</u>	<u>\$ 298,438</u>	-1.0%	<u>\$ 281,866</u>	4.9%
<b>LIABILITIES</b>					
Deposits	\$ 219,744	\$ 227,937	-3.6%	\$ 240,090	-8.5%
Borrowed Funds	38,784	33,784	14.8%	5,000	675.7%
Other Liabilities	<u>3,142</u>	<u>2,512</u>	25.1%	<u>2,746</u>	14.4%
<b>Total Liabilities</b>	261,670	264,233	-1.0%	247,836	5.6%
<b>STOCKHOLDERS' EQUITY</b>					
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 295,602</u>	<u>\$ 298,438</u>	-1.0%	<u>\$ 281,866</u>	4.9%
Shares Outstanding at End-of-Period	2,672,842	2,671,399		2,667,633	
Book Value Per Share	\$ 12.69	\$ 12.80		\$ 12.76	
Allowance for Credit Losses to Total Loans and HTM	1.42%	1.45%		1.27%	
Non-performing Assets (Non-accrual Loans and OREO)	\$ -	\$ -		\$ -	
Leverage Ratio	11.98%	12.83%		12.59%	

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

	For Three Months Ended			Six Months Ended		
	6/30/2023	3/31/2023	% Change	6/30/2023	6/30/2022	% Change
<b>INTEREST INCOME</b>						
Loans Interest Income	\$ 2,689	\$ 2,605	3.2%	\$ 5,294	\$ 4,177	26.7%
Investments & Due from Banks	756	535	41.3%	1,291	516	150.3%
Loan Fee Income	<u>123</u>	<u>64</u>	91.2%	<u>187</u>	<u>739</u>	-74.6%
<b>Total interest income</b>	<b>3,568</b>	<b>3,204</b>	<b>11.4%</b>	<b>6,773</b>	<b>5,432</b>	<b>24.7%</b>
<b>INTEREST EXPENSE</b>	<u>1,227</u>	<u>636</u>	92.9%	<u>1,864</u>	<u>235</u>	693.1%
<b>NET INTEREST INCOME BEFORE LOAN LOSS PROVISION</b>	<b>2,341</b>	<b>2,568</b>	-8.8%	<b>4,909</b>	<b>5,197</b>	-5.5%
<b>PROVISION FOR LOAN LOSSES</b>	<u>90</u>	<u>150</u>	-40.0%	<u>240</u>	<u>250</u>	-4.0%
<b>NET INTEREST INCOME AFTER LOAN LOSS PROVISION</b>	<b>2,251</b>	<b>2,418</b>	-6.9%	<b>4,669</b>	<b>4,947</b>	-5.6%
<b>NON-INTEREST INCOME</b>	<b>82</b>	<b>191</b>	-56.9%	<b>273</b>	<b>143</b>	91.2%
<b>NON-INTEREST EXPENSE</b>	<u>2,496</u>	<u>2,277</u>	9.6%	<u>4,773</u>	<u>3,986</u>	19.7%
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<b>(162)</b>	<b>332</b>	-149.0%	<b>169</b>	<b>1,104</b>	-84.7%
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	<u>(41)</u>	<u>97</u>	-142.1%	<u>56</u>	<u>352</u>	-84.1%
<b>NET INCOME (LOSS)</b>	<b>\$ (122)</b>	<b>\$ 235</b>	-151.8%	<b>\$ 113</b>	<b>\$ 752</b>	-84.9%
<b>Earnings Per Share - Basic</b>	<b>\$ (0.05)</b>	<b>\$ 0.09</b>		<b>\$ 0.04</b>	<b>\$ 0.28</b>	
<b>Earnings Per Share - Diluted</b>	<b>\$ (0.05)</b>	<b>\$ 0.09</b>		<b>\$ 0.04</b>	<b>\$ 0.28</b>	
<b>Return on Average Equity</b>	<b>-1.44%</b>	<b>2.82%</b>		<b>0.67%</b>	<b>4.40%</b>	
<b>Return on Average Assets</b>	<b>-0.16%</b>	<b>0.34%</b>		<b>0.08%</b>	<b>0.56%</b>	
<b>Net Interest Margin</b>	<b>3.31%</b>	<b>3.92%</b>		<b>3.60%</b>	<b>4.07%</b>	
<b>Efficiency Ratio</b>	<b>103%</b>	<b>83%</b>		<b>92%</b>	<b>76%</b>	