

Third Quarter 2023



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Pacific West Bancorp (“PWBK”) Announces Third Quarter 2023 Earnings

Portland, Oregon, October 26th, 2023. – Pacific West Bancorp, the holding company of Pacific West Bank (“PWB”), today announced a third quarter net loss of (\$205) thousand or (\$0.08) per diluted share. Due to strong loan growth during the quarter, \$250 thousand of provision for credit loss expense was recognized and added to the Allowance for Credit Losses (“ACL”), as a provision for potential future loan losses. For the first nine months of 2023, the company posted a net loss of (\$91) thousand or (\$0.03) per diluted share which included \$465 thousand of provision for credit loss expense recognized and added to the ACL.

Third Quarter 2023 highlights:

- Total loans grew \$14.6 million or 6.7% during the quarter.
- Total deposits grew \$13.8 million or 6.3% during the quarter.
- Non-interest income grew \$103 thousand or 124.5% when compared to the prior quarter, primarily driven by the Bank’s newly formed Banking-as-a-Service (“BaaS”) division successfully launching three Fintech Brand Partners during the quarter.
- There were no non-accrual loans nor past-due loans greater than 30 days as of quarter-end.
- Loan growth drove additional provision for loan loss of \$250 thousand.
- The Bank’s capital position remained strong and well above regulatory requirement with a leverage ratio of 11.83% as of quarter-end.
- Total assets as of quarter-end were \$309 million or a year-to-date increase of 9.7%.

Jason Wessling, PWB’s President commented, “PWB’s loan and deposit growth momentum continued, which was evidenced by our third quarter results. While net income was challenged by rising deposit costs, PWB grew higher yielding assets with \$14.6 million in loans produced during the quarter with an average yield of 8.46%. Adding to the strength and momentum of the Bank was the income and deposit diversity provided by our BaaS division that was successfully launched during the quarter. PWB’s team of skilled bankers has developed a robust pipeline of loans, deposits, and Fintech Brand Partners that will continue to fuel the Bank’s growth in the fourth quarter and into the future. A key contributor to our momentum and growth is our team of experienced Bankers in our new Vancouver office, who have existing deep relationships with commercial clients in Southwest Washington.”

The Bank grew loans by \$29 million or 14.2% during the first three quarters of 2023 with \$14.6 million or nearly 50% of that growth coming in the third quarter. Increased interest rates have positively impacted the Bank’s asset yield, which increased by 12 basis points to 5.16% compared to the prior quarter. Specifically, loan yield increased by 21 basis points from 5.09% in the second quarter to 5.30% in the third quarter. However, loan

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growth drove a provision for loan loss of \$250 thousand which negatively affected the Bank's net earnings. The net loss before taxes and provision for credit loss for the quarter was (\$52) thousand and has been improving on a month-over-month basis as the market acclimates to the interest rate environment.

Robert Holden, PWB's Chief Credit Officer remarked, "Loan demand has increased as commercial clients and prospects digest the higher interest rate environment and recent changes in our market from both M&A activity and bank failures. PWB remains prudent in pursuing loan opportunities and will not sacrifice credit quality for the sake of growth. The Bank's loan portfolio continues to be strong with no loans past due greater than 30 days. Our team of experienced lenders remain vigilant in monitoring the loan portfolio as economic uncertainty remains and the new higher interest rate environment persists."

Lisa Faust, PWB's Chief Deposit Officer stated, "Deposits grew \$13.8 million or 6.3% during the third quarter despite a challenging rate environment where the Bank's largest and most unlikely competitor were US Treasury Bonds. This growth is a testament to the deep relationships that our team of deposit officers have with our clients and the business community. The team has worked hard to maintain deposits and grow new relationships that are a win-win for both the client and the Bank. The effect of the interest rate environment has increased the Bank's cost of funds by 36 basis points compared to the prior quarter."

PWB's available for sale security portfolio had a \$3.5 million unrealized loss as of quarter-end, which was adjusted through equity as required by generally accepted accounting principles ("GAAP"). At the end of the second quarter, PWB entered an interest rate swap on its investment portfolio, which proved to be advantageous for the Bank with a swap contract gain of \$363 thousand which positively impacted the Bank's net interest margin.

Terry Peterson, PWB's CEO noted, "Our strong capital position allows the Bank to grow through this interest rate cycle, as evidenced by our strong Q3 growth rates. Our continued loan growth at much higher lending rates provides a hedge for future interest rate movement as well as providing for stronger future earnings."

About Pacific West Bancorp: Information about the Holding Company's stock is available through the over-the-counter marketplace at 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 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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Balance Sheets
(amounts in 000s, except per share data and ratios)

	For the Quarter Ended		% Change		% Change
	09/30/2023	06/30/2023	QOQ	12/31/2022	YOY
ASSETS					
Cash & due from banks	\$ 15,540	\$ 15,227	2.1%	\$ 13,999	11.0%
Investments - CD	747	996	-25.0%	2,485	-69.9%
Investments - Debt Securities HTM	7,746	7,746	0.0%	7,745	0.0%
Allowance for HTM	(305)	(330)	-7.6%	-	
Investments - Debt Securities AFS	40,303	41,909	-3.8%	43,077	-6.4%
Net Investments - Debt Securities	47,744	49,325	-3.2%	50,822	-6.1%
Investments - Correspondent Stock	1,390	1,390	0.0%	1,030	35.0%
Gross loans net of fees	232,677	218,102	6.7%	203,666	14.2%
Allowance for Loans and Leases	(3,138)	(2,888)	8.7%	(2,585)	21.4%
Net loans	229,539	215,214	6.7%	201,081	14.2%
Premises and equipment, net	4,779	4,752	0.6%	4,175	14.4%
Deferred tax asset, net	1,630	1,540	5.8%	1,559	4.5%
BOLI	4,345	4,311	0.8%	4,239	2.5%
Other assets	3,452	2,847	21.2%	2,475	39.5%
Total Assets	\$ 309,166	\$ 295,602	4.6%	\$ 281,866	9.7%
LIABILITIES					
Deposits	\$ 233,570	\$ 219,744	6.3%	\$ 240,090	-2.7%
Borrowed funds	38,784	38,784	0.0%	5,000	675.7%
Other liabilities	3,524	3,142	12.2%	2,746	28.3%
Total Liabilities	275,878	261,670	5.4%	247,836	11.3%
STOCKHOLDERS' EQUITY					
Total Liabilities and Stockholders' Equity	\$ 309,166	\$ 295,602	4.6%	\$ 281,866	9.7%
Shares outstanding at end-of-period	2,674,045	2,672,842		2,667,633	
Book value per share	\$ 12.45	\$ 12.69		\$ 12.76	
Allowance for credit losses to total loans and HTM	1.43%	1.42%		1.27%	
Non-performing assets (non-accrual loans and OREO)	\$ -	\$ -		\$ -	
Leverage Ratio	11.83%	11.98%		12.59%	

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

	For the Quarter Ended		% Change	Year to Date		% Change
	09/30/2023	06/30/2023		09/30/2023	09/30/2022	
INTEREST INCOME						
Loans Interest Income	\$ 2,942	\$ 2,689	9.4%	\$ 8,236	\$ 6,456	27.6%
Investments & due from banks	714	756	-5.6%	2,006	1,175	70.6%
Loan fee income	42	123	-66.3%	229	870	-73.7%
Total interest income	3,698	3,568	3.6%	10,471	8,501	23.2%
INTEREST EXPENSE	1,504	1,227	22.5%	3,368	492	584.4%
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	2,194	2,341	-6.3%	7,103	8,009	-11.3%
PROVISION FOR CREDIT LOSSES	225	90	150.0%	465	300	55.0%
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	1,969	2,251	-12.5%	6,638	7,709	-13.9%
NON-INTEREST INCOME	185	82	124.5%	458	299	53.0%
NON-INTEREST EXPENSE	2,430	2,496	-2.6%	7,203	6,158	17.0%
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(277)	(162)	70.3%	(107)	1,851	-105.8%
PROVISION (BENEFIT) FOR INCOME TAXES	(72)	(41)	76.8%	(16)	576	-102.8%
NET INCOME (LOSS)	\$ (205)	\$ (122)	68.1%	\$ (91)	\$ 1,275	-107.2%
Earnings per share - Basic	\$ (0.08)	\$ (0.05)		\$ (0.03)	\$ 0.48	
Earnings per share - Diluted	\$ (0.08)	\$ (0.05)		\$ (0.03)	\$ 0.48	
Return on average equity	-2.42%	-1.44%		-0.36%	4.97%	
Return on average assets	-0.27%	-0.16%		-0.04%	0.61%	
Net interest margin	3.06%	3.31%		3.42%	4.03%	
Efficiency ratio	102%	103%		95%	74%	