

Fourth Quarter 2023



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

Portland, Oregon, January 26th, 2024 – Pacific West Bancorp, the holding company of Pacific West Bank (“PWB”), today announced a fourth quarter net loss of (\$151) thousand or (\$0.06) per diluted share. PWB also announced its full-year 2023 results of a net loss of (\$242) thousand or (\$0.09) per diluted share, which included \$535 thousand of provision for credit loss expense recognized due to strong loan growth. The non-GAAP, pre-tax and pre-provision income for 2023 was \$326 thousand.

Fourth Quarter 2023 highlights:

- Total loans grew \$15.7 million or 6.8% during the quarter.
- Loan commitments of \$24.4 million were generated during the quarter.
- Total deposits grew \$3.9 million or 1.7% during the quarter.
- Interest income grew by 9.3% to \$4.0 million compared to the third quarter of 2023.
- Net interest margin (“NIM”) increased by 2 basis points to 3.08% compared to the third quarter of 2023.
- The Bank’s capital position remained strong and well above regulatory requirements with a leverage ratio of 11.45% as of quarter-end.
- Assets grew by \$10.8 million or 3.5% during the quarter.

2023 Full Year highlights:

- Total loans grew \$44.7 million or 22% during 2023.
- Loan commitments of \$75.1 million were generated during 2023.
- Interest income for 2023 grew by \$2.8 million or 23.6% compared to 2022.
- Total assets as of quarter-end were \$319 million or a year-over-year increase of 13.5%.
- Successfully launched banking-as-a-service (“BaaS”) initiative and launched four brand partners.
- Established new office location in Vancouver, Washington.
- Formed and successfully established a bank holding company, Pacific West Bancorp.

“We are pleased with the growth and continued momentum achieved in the fourth quarter and throughout 2023. PWB has grown from \$60 million in assets from December 2018 to \$320 million as of year-end 2023,” said Jason Wessling, PWB’s President and CFO. “This growth was propelled by our team of experienced Bankers that focus on maintaining comprehensive relationships with the clients by providing both lending and deposit solutions to the business community of Portland and Southwest Washington. Additionally, our continued execution of our BaaS strategy resulted in increased deposits and non-interest income from our brand partners during the quarter. We are excited to celebrate PWB’s 20th anniversary in 2024, reflecting on two decades of

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unwavering commitment to our communities. We look forward to sustaining this momentum and achieving further growth in the years to come.”

Loans grew by \$44 million or 22% during 2023 with \$30 million or 68% of that growth coming in the second half of the year. The primary loan growth was commercial and industrial loans, which grew 19% during the quarter. This growth was driven by our team of experienced lenders in the Vancouver office bringing new relationships from Southwest Washington.

As the high interest rate environment continued, the rate of increase in asset yield exceeded the rate of increase in cost of funds, positively impacting the NIM. During the fourth quarter, the Bank’s yield of interest-bearing assets grew by 23 basis points to 5.39% whereas the cost of funds to interest bearing assets increased by 21 basis points to 2.31%. The resulting NIM for the fourth quarter was 3.08%, which was an increase of 2 basis points when compared to the third quarter. Interest income totaled \$4.0 million for the fourth quarter which was an increase of \$344 thousand or 9.3%, when compared to the prior quarter. For the full year of 2023, interest income was \$14.5 million, which was an increase of \$2.8 million or 23.6% when compared to the full year of 2022. Loans that originated in the fourth quarter had an average rate of 8.21%.

During the fourth quarter deposits were stable at \$237.5 million, which was a slight increase of \$3.9 million or 1.7% quarter-over-quarter. This was after deposits increased \$13.8 million or 6.3% in the third quarter of 2023. The Bank continues to prudently monitor deposit flows as there has traditionally been seasonality of deposits in the first quarter related to business partner distributions and tax payments.

As market interest rates fluctuated in the fourth quarter, the Bank’s unrealized loss on available-for-sale (“AFS”) security portfolio as of December 31, 2023, was \$3.9 million. This includes the fair value hedge contract which the Bank entered in the second quarter of 2023. The unrealized loss in the fourth quarter improved by \$1.1 million compared to the end of the third quarter. This had a positive adjustment to equity through AOCI of \$703 thousand. Furthermore, the hedge contract provided additional income of \$150 thousand during 2023.

Terry Peterson, PWB’s CEO noted, “The operating environment for our Bank since our December 2018 capital raise has been difficult. Yet, total assets have grown by 430% during this period and is a testament to our bankers. We are fully staffed to achieve operating leverage and with moderating interest rates, we look forward to improved financial performance.”

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/ Vancouver Metro area with offices strategically located in Downtown Portland, Lake Oswego, West Linn, and Vancouver, WA.

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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
	12/31/2023	09/30/2023	QOQ	12/31/2022	YOY
ASSETS					
Cash & due from banks	\$ 10,693	\$ 15,540	-31.2%	\$ 13,999	-23.6%
Investments - CD	747	747	0.0%	2,485	-69.9%
Investments - Debt Securities HTM	7,746	7,746	0.0%	7,745	0.0%
Allowance for HTM	(256)	(305)	-16.0%	-	
Investments - Debt Securities AFS	41,053	40,303	1.9%	43,077	-4.7%
Net Investments - Debt Securities	48,543	47,744	1.7%	50,822	-4.5%
Investments - Correspondent Stock	1,424	1,390	2.5%	1,030	38.3%
Gross loans net of fees	248,402	232,677	6.8%	203,666	22.0%
Allowance for Loans and Leases	(3,257)	(3,138)	3.8%	(2,585)	26.0%
Net loans	245,146	229,539	6.8%	201,081	21.9%
Premises and equipment, net	4,629	4,779	-3.1%	4,175	10.9%
Deferred tax asset, net	1,806	1,630	10.8%	1,559	15.8%
BOLI	4,379	4,345	0.8%	4,239	3.3%
Other assets	2,616	3,452	-24.2%	2,475	5.7%
Total Assets	\$ 319,983	\$ 309,166	3.5%	\$ 281,866	13.5%
LIABILITIES					
Deposits	\$ 237,470	\$ 233,570	1.7%	\$ 240,090	-1.1%
Borrowed funds	44,782	38,784	15.5%	5,000	795.6%
Other liabilities	3,681	3,524	4.5%	2,746	34.1%
	285,933	275,878	3.6%	247,836	15.4%
STOCKHOLDERS' EQUITY					
Total Liabilities and Stockholders' Equity	\$ 319,983	\$ 309,166	3.5%	\$ 281,866	13.5%
Shares outstanding at end-of-period	2,676,564	2,674,045		2,667,633	
Book value per share	\$ 12.72	\$ 12.45		\$ 12.76	
Allowance for credit losses to total loans and HTM	1.37%	1.43%		1.27%	
Non-performing assets (non-accrual loans and OREO)	\$ -	\$ -		\$ -	
Leverage Ratio	11.45%	11.83%		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
	12/31/2023	09/30/2023		12/31/2023	12/31/2022	
INTEREST INCOME						
Loans Interest Income	\$ 3,252	\$ 2,942	10.5%	\$ 11,488	\$ 8,996	27.7%
Investments & due from banks	669	714	-6.4%	2,674	1,832	46.0%
Loan fee income	121	42	190.9%	350	916	-61.8%
Total interest income	4,041	3,698	9.3%	14,512	11,744	23.6%
INTEREST EXPENSE	1,733	1,504	15.2%	5,101	891	472.5%
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	2,309	2,194	5.2%	9,411	10,853	-13.3%
PROVISION FOR CREDIT LOSSES	70	225	-68.9%	535	360	48.6%
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	2,239	1,969	13.7%	8,876	10,493	-15.4%
NON-INTEREST INCOME	161	185	-12.7%	620	491	26.1%
NON-INTEREST EXPENSE	2,502	2,430	2.9%	9,705	8,450	14.8%
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(102)	(277)	-63.2%	(209)	2,534	-108.2%
PROVISION (BENEFIT) FOR INCOME TAXES	49	(72)	-168.2%	33	698	-95.3%
NET INCOME (LOSS)	\$ (151)	\$ (205)	-26.4%	\$ (242)	\$ 1,836	-113.2%
Earnings per share - Basic	\$ (0.06)	\$ (0.08)		\$ (0.09)	\$ 0.69	
Earnings per share - Diluted	\$ (0.06)	\$ (0.08)		\$ (0.09)	\$ 0.69	
Return on average equity	-2.42%	-2.42%		-0.72%	5.39%	
Return on average assets	-0.27%	-0.27%		-0.08%	0.65%	
Net interest margin	3.08%	3.06%		3.24%	4.12%	
Efficiency ratio	102%	102%		97%	75%	