

First Quarter, 2019



4/25/2019

Dear Fellow Shareholders,

It was my honor to join Pacific West Bank as CEO during the fourth quarter of 2018. This letter will outline our key accomplishments over the past six months.

- Immediately upon my arrival, we hired a team of eight Portland area bankers. This team brought a wealth of knowledge and experience in downtown Portland. The majority of the new hires are deposit-focused Relationship Bankers with a long history of exceptional client service.
- In December 2018, we announced the successful completion of a \$27.2 million capital offering. Despite turbulent financial markets in December, we quickly oversubscribed the offering.
- We previously shared our intention to open a new office in downtown Portland. We are pleased to announce that we will occupy a suite on the ninth floor of 1300 SW 5th Ave., in the heart of Portland's financial district. We will occupy temporary space on the fifth floor of the same building until our tenant improvements are completed. This office location is key to our overall expanded business banking strategy.
- We assessed our technology capabilities and have plans to incorporate state of the art treasury and cash management services, such as an enhanced business on-line platform, on-line wires, and mobile business banking. These upgrades will take place throughout 2019 and will further enhance our client experience.
- In March 2019, we announced Jason Wessling CPA, as the Bank's Chief Financial Officer.

The fourth quarter of 2018 was a period of assessment as we reviewed our product sets, technology capabilities, office locations, and capital strategies. The first quarter of 2019 represented the beginning of our expansion into downtown Portland, while we continued to focus on our existing clients and branch locations. Our momentum was evidenced in the first quarter as we procured \$8.5 million in new core business deposits with an average deposit size of \$400,000. However, growth was muted as we transitioned from rate-sensitive retail deposits into more stable commercial deposits.

Assets as of March 31, 2019 totaled \$92.5 million, and year-over-year grew by \$24.7 million or 36.4%, largely due to the capital raise. Although most of that capital at quarter-end was held as cash, the Bank plans to strategically deploy the cash into loans and investments over the balance of 2019. As part of the capital raise, tax law required a write-down to the Bank's deferred tax asset, which resulted in a one-time tax expense

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provision of \$648,000. Additionally, during the fourth quarter, the Bank paid \$475,000 in one-time contractual employment expenses.

For the first quarter of 2019, the Bank did not take a loan loss provision and did not incur any charge-offs during the period. Credit quality remained strong with no past due loans as of March 31, 2019. Non-performing assets totaled \$75,000, consisting of one non-accrual loan. The quality of our loan portfolio allows our lending team to focus on new loan production.

The Bank's capital ratios are strong due to the expansion of our capital base after the successful capital campaign. Our challenge is to patiently and safely leverage that capital into high quality loans and deposits. While we are executing on our growth strategy, we expect to post moderate operating losses in the immediate quarters ahead, although at a decelerating rate through continued expansion of our net interest margin.

We remain committed to expanding our capabilities to meet the needs of Portland's growing business community. The continued consolidation within the banking industry has nearly eliminated all Portland area headquartered, business-focused banks. We are well positioned to use this as an opportunity to grow our Bank.

Over the past two quarters, we have accomplished a great deal. I am extremely proud of our team as they have embraced our accelerated growth strategies.

Thank you for your commitment to our vision for the Bank and your confidence in the team to execute; the best is yet to come.

Best regards,

A handwritten signature in cursive script, appearing to read "Terry Peterson".

Terry Peterson
President & CEO

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

	March 31,		% Change 2019 vs. 2018	December 31, 2018	% Change Quarter
	2019	2018			
ASSETS					
Cash & due from banks	\$ 29,969	\$ 10,800	177.5%	\$ 35,170	-14.8%
Investments	7,734	2,734	182.9%	2,734	182.9%
Gross loans	51,437	50,470	1.9%	51,240	0.4%
Allowance for loan losses	(670)	(670)	0.0%	(670)	0.0%
Net loans	50,767	49,800	1.9%	50,570	0.4%
Premises and equipment, net	2,281	2,329	-2.1%	2,298	-0.7%
Deferred tax asset, net	1,307	1,768	-26.1%	1,241	5.3%
Other assets	440	350	25.7%	367	19.9%
Total Assets	\$ 92,498	\$ 67,781	36.5%	\$ 92,380	0.1%
LIABILITIES					
Deposits	\$ 57,728	\$ 58,503	-1.3%	\$ 57,155	1.0%
Other liabilities	163	93	75.3%	462	-64.7%
Total Liabilities	57,891	58,596	-1.2%	57,617	0.5%
STOCKHOLDERS' EQUITY					
Total Liabilities and Stockholders' Equity	\$ 92,498	\$ 67,781	36.5%	\$ 92,380	0.1%
Shares outstanding at end-of-period	2,648,855	706,467		2,648,855	
Book value per share	\$ 13.06	\$ 13.00		\$ 13.12	
Tangible book value per share	\$ 12.57	\$ 10.50		\$ 12.66	
Allowance for loan losses to total loans	1.30%	1.33%		1.31%	
Non-performing assets (non-accrual loans & OREO)	\$ 75	\$ -		\$ 81	
Bank Tier 1 leverage ratio	37.15%	11.62%		49.80%	
Bank Tier 1 risk-based capital ratio	59.66%	14.28%		64.27%	
Bank Total risk-based capital ratio	60.88%	15.53%		65.52%	

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

	Three Months Ended			Three Months Ended	
	3/31/2019	3/31/2018	% Change	12/31/2018	% Change
INTEREST INCOME					
Loans	\$ 716	\$ 716	0.0%	\$ 714	0.3%
Investments & due from banks	209	37	464.9%	76	175.0%
Total interest income	925	753	22.8%	790	17.1%
INTEREST EXPENSE	96	73	31.5%	93	3.2%
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	829	680	21.9%	697	18.9%
PROVISION FOR LOAN LOSSES	-	-	N/A	-	N/A
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	829	680	21.9%	697	18.9%
NON-INTEREST INCOME	23	31	-25.8%	34	-32.4%
NON-INTEREST EXPENSE	1,104	576	91.7%	1,569	-29.6%
INCOME BEFORE PROVISION FOR INCOME TAXES	(252)	135	-286.7%	(838)	-69.9%
PROVISION (BENEFIT) FOR INCOME TAXES	(66)	35	-288.6%	460	-114.3%
NET INCOME (LOSS)	\$ (186)	\$ 100	-286.0%	\$ (1,298)	85.7%
Earnings per share - Basic	\$ (0.07)	\$ 0.14		\$ (1.35)	
Earnings per share - Diluted	\$ (0.07)	\$ 0.14		\$ (1.35)	
Return on average equity	-2.17%	4.34%		-25.35%	
Return on average assets	-0.83%	0.60%		-6.80%	
Net interest margin	3.88%	4.48%		4.38%	
Efficiency ratio	129.5%	81.1%		224.9%	

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.