PACIFIC WEST BANK
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5/29/2020

Dear Shareholders,

The Bank's performance in the first quarter of 2020 continued the momentum built during 2019, with $12.7 million in loan growth and $19.6 million in deposit growth. We believe this balanced growth adds to our already strong balance sheet position as we navigate the sharp decrease in interest rates and economic challenges brought on by the COVID-19 pandemic. In spite of these headwinds, the Bank's balance sheet has a solid foundation of capital and liquidity which will allow us to take full advantage of opportunities that present themselves during these times.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES ACT") was enacted which included the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). These SBA loans were vital to businesses in the communities we serve to help them overcome the economic shortfalls brought on by the COVID-19 pandemic. After an "all hands on deck" performance for a six-week period by both executives and staff, the community's response was overwhelmingly positive; as of May 12th, 2020, the Bank funded 275 PPP loans totaling $57.6 million, with an average loan size of $209,000. These loans will support roughly 5,370 jobs in the communities we serve. The Bank earns 1.0% interest on these loans as well as a fee from the SBA based on the size of the loans.

In mid-March, we began preparing for the pandemic with an employee-first mentality, ensuring the safety of our employees and customers during this pandemic. Effective March 19th, 2020, prior to the enactment of the Emergency Paid Leave Act, an additional 80 hours of COVID-related extended sick leave was made available to all employees. To accommodate the Stay-at-Home Order, our Chief Operations and Technology Officer, Ben Manheim, worked diligently to ensure that all employees could work from home. The Bank moved to a team Banking schedule where teams rotated one week working in the office and two weeks working from home, so there was no disruption of service to our clients.

First Quarter 2020 Highlights:

- Net deposit growth of $19.6 million or 15.6% for Q1 2020 over year-end 2019.
- Originated $17.8 million in loan commitments and funded $12.7 million of those commitments during Q1 2020.
- Net loan growth of $12.7 million or 16.3% during Q1 2020.
- Credit quality remained consistent with no loans greater than 30 days past due and only one $57,000 non-accrual loan.
- In response to the COVID-19 pandemic potential impact on the economy, the Bank increased its ALLL from 1.18% of total loans outstanding as of December 31, 2019, to 1.26% as of March 31, 2020.
- Provision for loan loss was $215,000 for Q1 2020 driven by loan growth and the potential impact of COVID-19 on the general and local economy.
- Loan interest income totaled $1.1 million for Q1 2020, up 56.4% or $394,000 when compared to Q1 2019 with loan interest income of $699,000.

Assets

As of March 31, 2020, total assets were $145.0 million, an increase of 15.6%, or $19.6 million when compared to total assets of $125.4 million as of December 31, 2019. Year-over-year asset growth comparing Q1 2019 to Q1 2020 increased by 56.8% or $52.5 million. Asset growth during the quarter was driven by increases in cash, which grew 60.7% or $13.4 million, and loans which grew 16.3% or $12.7 million. Loan growth during the quarter included commitment originations of $17.8 million and funding $12.7 million of those commitments. Unfunded commitments totaled $21.8 million as of March 31, 2020, up 8% from the year-end total of $20.2 million.

As of March 31, 2020, investments totaled $12.8 million, down $6.4 million from 2019 year-end totals of $19.2 million. The decrease in investments was primarily related to the maturation of CDs which were held as investments. The Bank's mortgage-back security portfolio experienced an increase in principal paydown as borrowers refinanced in the lower interest rate environment. The Bank continues to monitor its liquidity position and utilizes excess cash to purchase prudent investments to increase yields.

Consistent with prior quarters, the Bank had no loans past due greater than 30 days as of March 31, 2020, and one non-accrual loan totaling $57,000. Due to loan growth and the potential economic impact of the COVID-19 pandemic, the Bank added to its ALLL with a provision for loan loss in the quarter of $215,000. The ratio of allowance for loan loss to total loans for the first quarter of 2020 was 1.26% as compared to the year-end 2019 ratio of 1.18%. The increase was driven both by loan growth and the potential economic impact of the COVID-19 pandemic on the underlying portfolio. As the loan portfolio continues to grow and the Bank continues to monitor the impact that COVID-19 may have on our borrowers and the local economy, the Bank will adjust its ALLL and provision for loan loss accordingly. As of April 30, 2020, the Bank agreed to defer payments on 34 loans which totaled $17.0 million. The CARES Act of March 27, 2020, provided the opportunity for the Bank to restructure these loans as opposed to recognizing them as troubled debt.

First Quarter, 2020

Deposits

Deposits as of March 31, 2020, totaled $108.4 million, an increase of $19.6 million or 22% over 2019 year-end total of $88.5 million. The largest increase came from non-interest-bearing deposits of $40.4 million, which increased $13.1 million or 48% during the quarter. The Bank continues to focus its efforts on attracting non-maturity deposits as certificates of deposits decreased $156,000 or 1% during the quarter.

The Bank's cost of funds during Q1 2020 remained consistent at 71 basis points compared to the prior quarter's cost of funds of 69 basis points. The Bank continues to focus on growing deposits from the local market in non-interest-bearing operating accounts while offering competitive pricing on non-maturity deposits. Interest rates changed significantly at the end of the quarter as the Bank continues to evaluate deposit pricing.

Earnings

Loan interest income during the first quarter of 2020 totaled $1.1 million, an increase of $116,000 or 12%, from the fourth quarter of 2019 which totaled $977,000. Loan interest income increased by $394,000, or 56% when compared to the same period during 2019. Investment income decreased ($21,000) or 10.8%, due to interest rate reductions implemented by the Fed. Net interest income of $1.1 million increased by $68,000 or 6.7% compared to the fourth quarter of 2019 at $1.0 million. Net interest income increased $254,000 or 30.6% when compared to the same period in 2019 which totaled $829,000.

The Bank's net interest margin for the first quarter of 2020 was 3.51% down 11 basis points when compared to 3.62% for the fourth quarter of 2019. The reduction in net interest margin was driven by lower market interest rates on cash and investments. Lower mortgage rates caused higher paydowns in the Bank's mortgage-back security portfolio causing it to amortize additional premium and reduced earnings.

Non-interest expense of $1.5 million incurred during the first quarter of 2020, increased by $138,000, or 10.2% when compared to the fourth quarter 2019 total of $1.4 million driven by investments in people, technology, and our new Portland office which opened in November of 2019.

Losses before the effect of taxes and provision for loan loss totaled ($377,000) for the first quarter of 2020, a ($43,000) increase in losses when compared to the fourth quarter of 2019 which totaled ($313,000). The increase was related to investments in adding new staff, new products and services, technology, a full quarter of lease payments for the new Portland office, and expanding the Banks reach through the Portland MSA. The added technology was vital to our COVID-19 response allowing us to continue to work remotely and continue business utilizing electronic signatures.

Closing

The first quarter of 2020 produced financial results that would project annualized loan and deposit growth of roughly $50.0 million for the year. The onset of the COVID-19 pandemic changed the trajectory of the Bank with Fed-induced interest rate reductions and the introduction of the PPP loan Program. Through these unprecedented events, the Bank's executives and staff were able to adapt and continued to plow ahead. Due to the Bank's quick response and implementation of the PPP loan program, we were able to support both clients and prospects during this difficult economic time and in doing so, created a solid pipeline of loans and deposits as the larger banks failed to perform. The PPP loan process created significant fee income, which will be recognized over the remainder of the year, or sooner as we move through the loan forgiveness process. We also continue to heavily monitor our loan portfolio for any potential downgrades because of the economic shutdown. We believe that the strength of our balance sheet, our seasoned staff, and goodwill created through the PPP process will allow us to attract opportunities as they arise during this economic turmoil.

Thank you for your continued commitment and support for our vision.

Best Regards,

Terry A. Peterson
CEO

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

	March 31, 2020	March 31, 2019	% Change 2020 vs. 2019	December 31, 2019	% Change Quarter
ASSETS					
Cash & due from banks	$ 35,515	$ 29,969	18.5%	$ 22,098	60.7%
Investments - CD	2,685	7,734	-65.3%	8,734	-69.3%
Investments - MBS	10,153	-	-	10,439	-2.7%
Gross loans	90,387	51,437	75.7%	77,702	16.3%
Allowance for loan losses	(1,135)	(670)	69.4%	(920)	23.4%
Net loans	89,252	50,767	75.8%	76,782	16.2%
Premises and equipment, net	5,189	2,281	127.5%	5,240	-1.0%
Deferred tax asset, net	1,702	1,307	30.2%	1,548	9.9%
Other assets	499	440	13.4%	547	-8.8%
Total Assets	$ 144,995	$ 92,498	56.8%	$ 125,388	15.6%
LIABILITIES					
Deposits	$ 108,388	$ 57,728	87.8%	$ 88,516	22.5%
Borrowed funds	-	-	-	-	
Other liabilities	2,850	163	1648.5%	2,842	0.3%
Total Liabilities	111,238	57,891	92.2%	91,358	21.8%
STOCKHOLDERS' EQUITY	33,757	34,607	-2.5%	34,030	-0.8%
Total Liabilities and Stockholders' Equity	$ 144,995	$ 92,498	56.8%	$ 125,388	15.6%
Shares outstanding at end-of-period	2,652,856	2,648,855		2,652,856	
Book value per share	$ 12.72	$ 13.06		$ 12.83	
Allowance for loan losses to total loans	1.26%	1.30%		1.18%	
Non-performing assets (non-accrual loans & OREO)	$ 57	$ 75		$ 59	
Leverage Ratio	24.54%	37.15%		27.85%	

First Quarter, 2020

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

	Three Months Ended			Three Months Ended	
	3/31/2020	12/31/2019	% Change	3/31/2018	% Change
INTEREST INCOME					
Loans Interest Income	$ 1,093	$ 977	11.9%	$ 699	56.4%
Investments & due from banks	174	195	-10.8%	209	-16.7%
Loan Fee Income	35	40	-12.5%	17	105.9%
Total interest income	1,302	1,212	7.4%	925	40.8%
INTEREST EXPENSE	218	197	10.7%	96	127.1%
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	1,083	1,015	6.7%	829	30.6%
PROVISION FOR LOAN LOSSES	215	120	79.2%	-	0.0%
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	868	895	-3.0%	829	4.7%
NON-INTEREST INCOME	34	28	21.4%	23	47.8%
NON-INTEREST EXPENSE	1,494	1,356	10.2%	1,104	35.3%
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(592)	(433)	36.7%	(252)	134.9%
PROVISION (BENEFIT) FOR INCOME TAXES	(153)	(101)	51.5%	(66)	131.8%
NET INCOME (LOSS)	$ (439)	$ (332)	32.2%	$ (186)	136.0%
Earnings per share - Basic	$ (0.17)	$ (0.12)		$ (0.07)	
Earnings per share - Diluted	$ (0.17)	$ (0.12)		$ (0.07)	
Return on average equity	-5.17%	-3.84%		-2.17%	
Return on average assets	-1.33%	-1.11%		-0.83%	
Net interest margin	3.51%	3.62%		3.83%	
Efficiency ratio	133.7%	129.9%		129.50%	

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.