



Private Bancorp of America, Inc.  
(QTCQX: PBAM)

(Holding Company for CalPrivate Bank)



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## **Q3 2022**

## **Investor Update**

October 21, 2022

## **FORWARD LOOKING STATEMENTS**

When used in this presentation, and in any other oral statements made with the approval of an authorized executive officer, the words or phrases “will,” “shall,” “may,” “could,” “should,” “hope,” “might,” “believe,” “expect,” “plan,” “assume,” “intend,” “estimate,” “anticipate,” “project,” “likely,” or similar expressions are intended to identify “forward-looking statements” within the meaning of such term in the Private Securities Litigation Reform Act of 1995.

Private Bancorp of America, Inc. cautions readers that a number of important factors could cause actual results to differ materially from those in the forward-looking statements. These factors include the effects of the COVID-19 pandemic and related government actions on the Bank and its customers, loan losses, economic conditions and competition in the geographic and business areas in which Private Bancorp of America, Inc. operates, including competition in lending from other banks and lenders, historically low interest rates, our increased reliance on fee income from participation in SBA loan programs, administration of the Paycheck Protection Program, management of our facilities costs, our ability to successfully integrate and develop business through the addition of new personnel, whether our efforts to expand loan, product and service offerings will prove profitable, the effects of the bank mergers and acquisitions in our markets, system failures and internet security, whether we can effectively secure and implement new technology solutions, inflation, fluctuations in interest rates, legislation and governmental regulation. You should not place undue reliance on forward-looking statements and we undertake no obligation to update those statements whether as a result of changes in underlying factors, new information, future events or otherwise. These factors could cause actual results to differ materially from what Private Bancorp of America, Inc. has anticipated or projected. These factors should be carefully considered by our shareholders and potential investors. Investors should not place undue reliance on any such forward-looking statement, which speaks only as of the date on which it was made.

Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, Private Bancorp of America, Inc. cautions that, while its management believes such assumptions or bases are reasonable and are made in good faith, assumed facts or bases can vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, an expectation or belief is expressed as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

# Corporate Overview



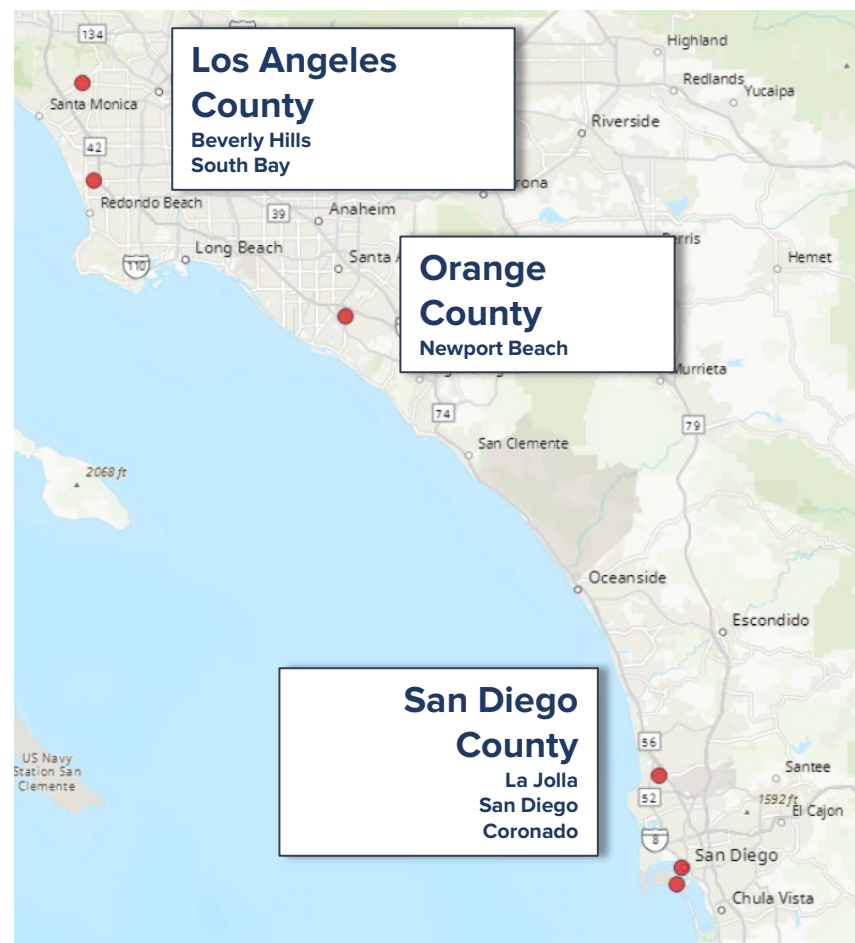
## The CalPrivate Bank Franchise

- Founded in 2006 and headquartered in La Jolla, California, Private Bancorp of America, Inc. owns and operates CalPrivate Bank, a dynamic relationship-based commercial bank
- With 6 branch locations in Los Angeles, Orange, and San Diego counties, we provide a *Distinctively Different* approach to serving our Clients, which include high net worth individuals and small to medium-sized businesses
- Our branch-light, high-touch relationship-based model places Clients at the center of the relationship resulting in superior outcomes
- We are a preferred SBA lender and participated in the Paycheck Protection Program

## Financial Highlights: Q3'22

- |                     |   |
|---------------------|---|
| • \$1.7bn Assets    | • Tier 1 Capital Ratio: 9.35%                   |
| • \$1.5bn Loans HFI | • Efficiency Ratio: 53.29%                      |
| • \$1.5bn Deposits  | • NPAs / Assets: 0.27%                          |
| • ROAA: 1.51%       | • ALLL / Loans HFI (excluding PPP loans): 1.29% |
| • ROATCE: 17.84%    | • TBV per Share: \$23.49                        |

## Coastal Southern California Footprint



# Distinctly Different Service – 2022 NPS Score



Our Net Promoter Score is a testament to our **Distinctly Different** service

| 2022 Top Service-Focused Brands <sup>(1)</sup> |                                |
|--|--------------------------------|
| 84   | CalPrivate Bank <sup>(2)</sup> |
| 72   | First Republic Bank            |
| 75   | USAA                           |
| 31   | JP Morgan                      |
| 18   | Bank of America                |
| 16   | Morgan Stanley                 |
| 12   | Wells Fargo                    |
| 34   | U.S. Banking Industry Average  |

## CPB client satisfaction over 2.4x higher than U.S. Banking Industry

- Exceptional service is our key organic growth driver; word-of-mouth referrals from very satisfied clients.
- NPS Measures client loyalty and likelihood to actively “refer”
- Leads to strong growth and very low deposit attrition rates

(1) Source: NICE Satmetrix NPS U.S. Consumer 2021 Net Promoter Benchmarks for brands listed and U.S. Banking Industry Average, excluding CPB. Please note: the brands listed under ‘Top Service-Focused Brands’ are brands selected for comparison purposes.

(2) Source: CPB NPS survey responses during the period of May through December 2021.

(3) Source: Overall NPS for First Republic Bank is from their 2020 Corporate Responsibility Report

(4) Reflects Apple’s score for computers and tablets.

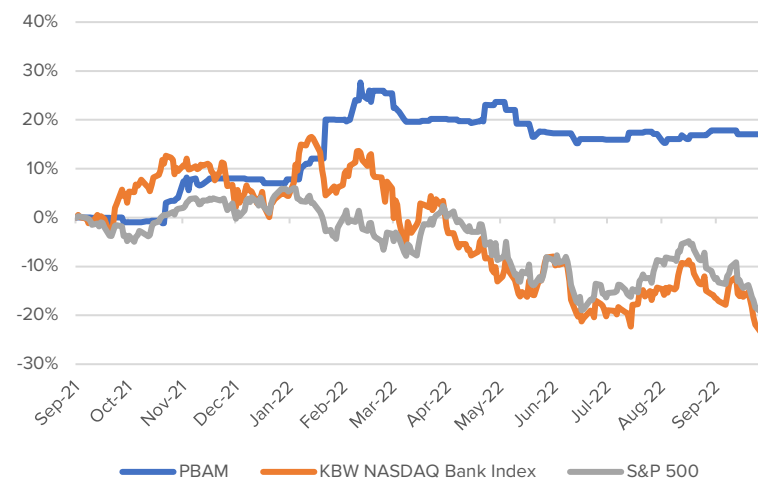
# Q3 2022 Results



## Financial Highlights

- Net income for the quarter was \$6.4 million, or \$1.12 per diluted share
- Average portfolio loan yields (ex-PPP) of 5.77%
- Total cost of funds of 0.36%
- NIM (ex-PPP loans) of 4.97%
- TBVPS increase of \$0.81 to \$23.49
- Non-performing assets represented 27 bps of total assets
- Total Risk-Based Capital Ratio of 11.77%

## Stock Price (vs. KBW Bank Index & S&P 500)



## Asset Quality Highlights

- ALLL of \$19.1 million or 1.29% of total loans HFI, excluding PPP loans
- Total classified assets were \$15.9 million, of which \$10.1 million were secured by real estate with an average LTV of 42.8%
- As of September 30, 2022, there were no doubtful credits or charge offs

## Organic Loan & Deposit Growth

- Total loans (ex-PPP), grew \$108.9 million, up 7.9% from prior quarter
- Total deposits increased \$89.9 million, up 6.2% compared to Q2'22
- Non-interest-bearing deposits grew \$16.2 million and represent 49.9% of total deposits with an overall cost of deposits of 27 bps

# Strategic Focus – 2023



## Organic Growth

- Opportunistically grow relationship teams to expand market share
- Leverage relationship-based banking model, solution-based approach and concierge client service delivery as strategic differentiators
- Broader penetration into HNW, investor R/E, and family offices

## Expand Operating Profit

- Maintain loan pricing discipline through relationship-based model, mix of products, and strategic use of floors and prepayment penalties
- Opportunistically focus on deposit gathering niches
- Continue to focus on efficiency ratio

## Credit and Capital Discipline

- Maintain disciplined loan underwriting practices
- Utilize nCino to streamline origination platform and enhance portfolio management reporting
- Maintain appropriate levels of liquidity, capital and reserves

## Non-Interest Income Opportunities

- Treasury Management focus on increasing revenue in existing customer base
- Expansion of merchant and international services to drive new revenue channels

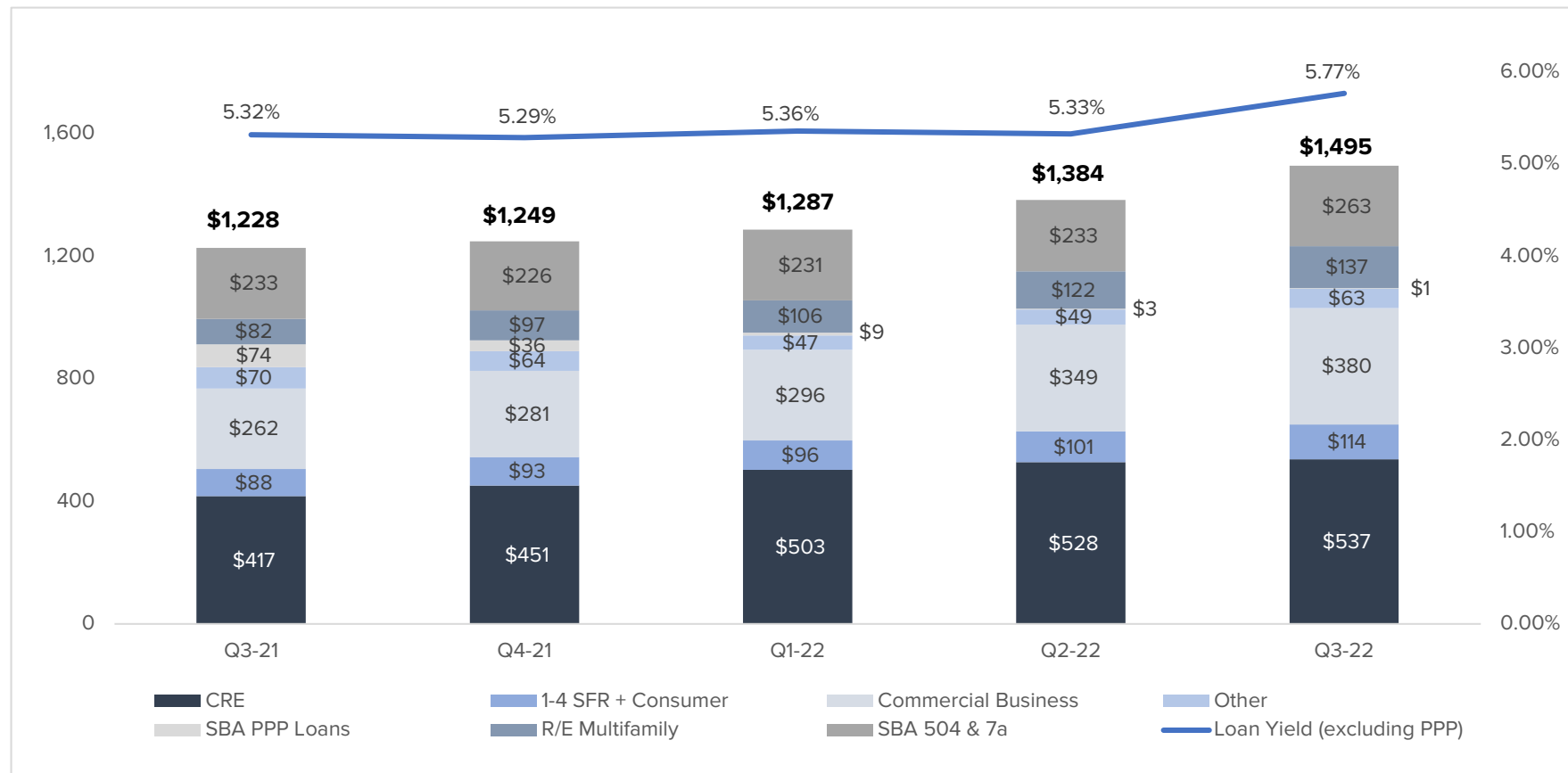
## Investments in Innovation to Support Growth

- Utilize nCino Platform to drive efficiency in CRM and lending approval process
- Continue to build technology partnerships with FinTech companies and third-party vendors to expand product and service offerings
- Leverage Technology & Innovation Committee to develop FinTech growth initiatives

# Demonstrated Organic Growth in Loans



**Core franchise continues to generate organic loan growth (29% YoY), excluding PPP, even during the pandemic with consistently strong loan yields reflecting relationship focus**

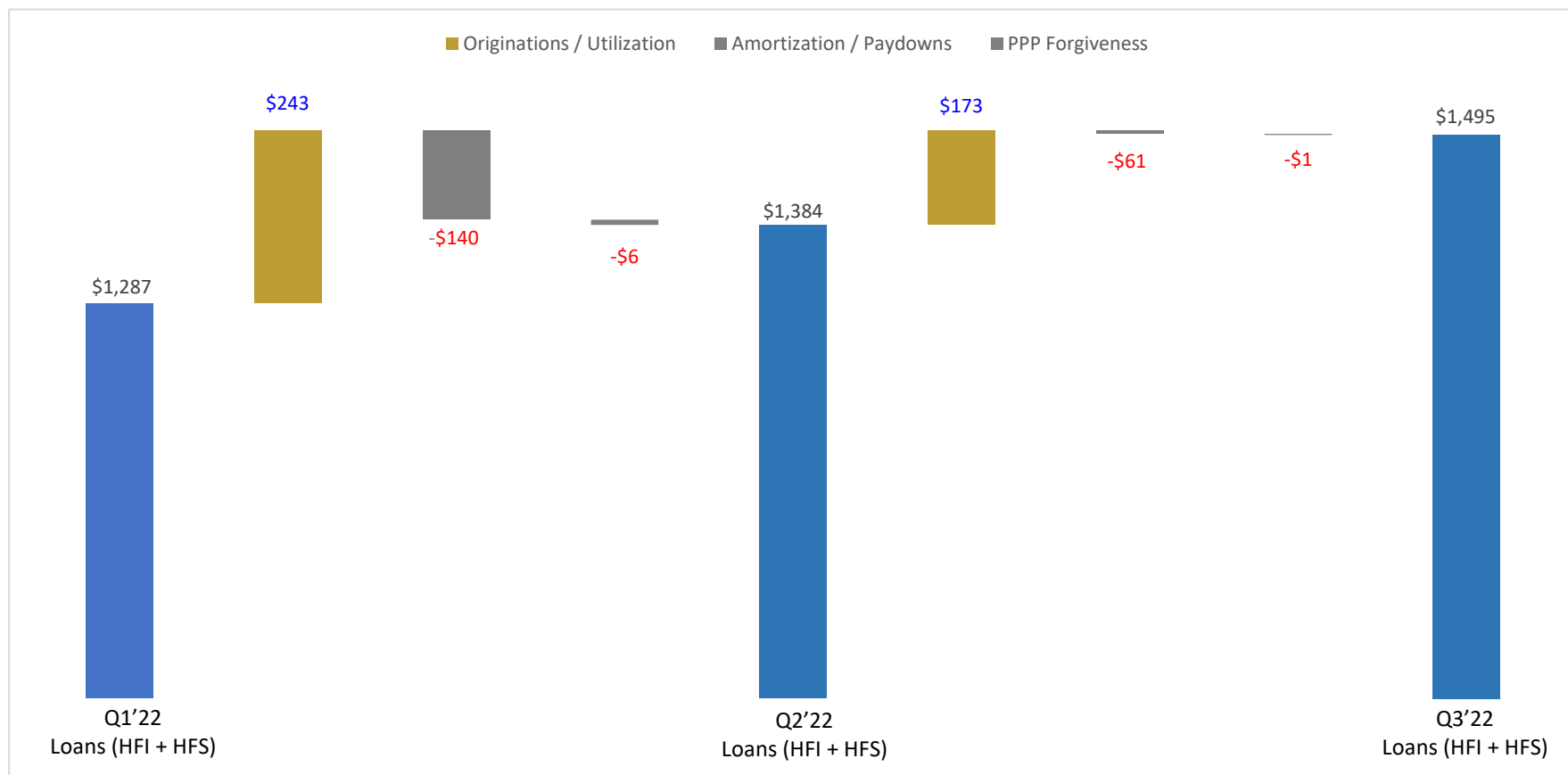


**Note:** Dollars in Millions, Loan Yield excludes PPP Loans

# Quarterly Loan Growth Details (Q1'22 – Q3'22)



While originations of loans (HFI + HFS) during the third quarter of 2022 continue to be strong, it was offset by paydowns in the portfolio, including PPP loan forgiveness, resulting in a net loan growth of 8% (Q3'22 vs Q2'22)

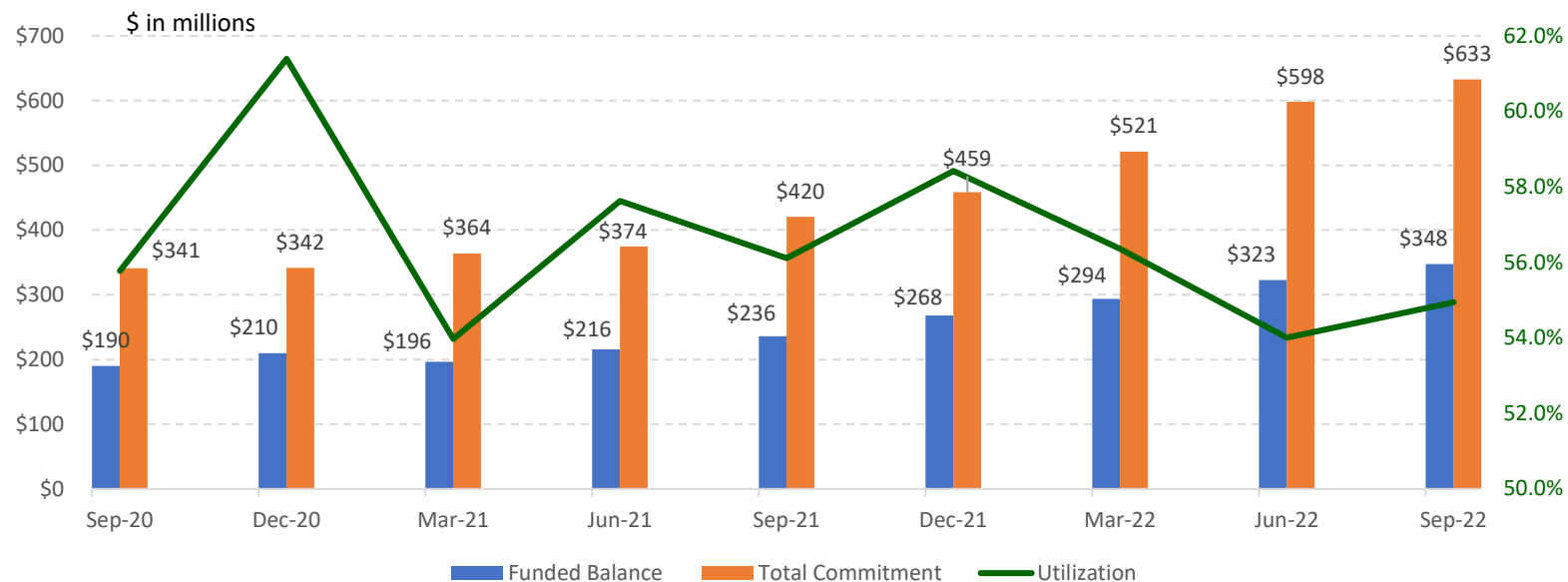


**Note:** Dollars in Millions



# Positioned for Growth: Utilization Trends

## Business Revolving Lines of Credit



## Revolving Lines of Credit

- Since 2020, total commitments to business revolving lines have grown from \$341mm to \$633mm
- Funded revolver balances have grown from \$190mm to almost \$350mm
- We are actively targeting a 60% utilization and will use the renewal process to ensure prudent credit exposure and additional income on unused lines

## Forecasted Utilization

- As rates rise, income will adjust upwards on funded amounts
- Cautiously optimistic on increased future utilizations given economic headwinds (e.g., recession)
- Average yields on fundings in the 5.50% - 6.00% range

# Loan Portfolio Breakdown

## Loan Portfolio by Industry

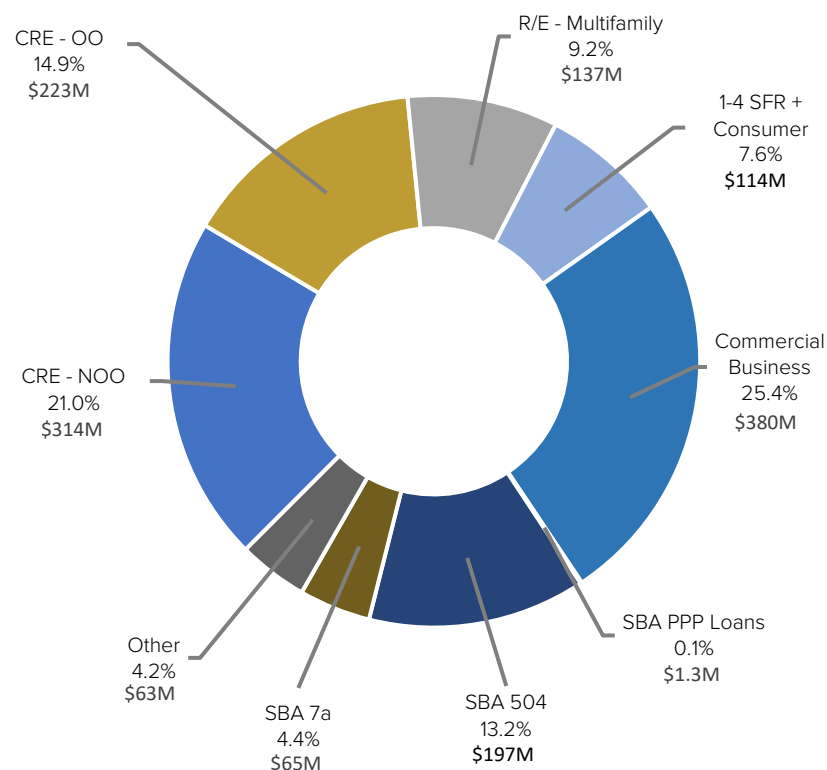
| Borrower's Industry<br>(by NAICS sector code) | Total<br>(in 000s)* | % of Total<br>Loans |
|---|---------------------|---------------------|
| Real Estate Investment/ Rental & Leasing \$   | 811,669             | 54.1%               |
| Construction/ Builders & Contractors          | 70,230              | 4.7%                |
| Accommodation/Hotels & Food Services          | 81,325              | 5.4%                |
| Manufacturing & Productions                   | 62,224              | 4.1%                |
| Professional/Scientific/Technical Service     | 48,799              | 3.3%                |
| Retail Sales & Trades                         | 74,217              | 4.9%                |
| Health Care and Social Assistance             | 86,143              | 5.7%                |
| Wholesale Trade                               | 25,365              | 1.7%                |
| Finance & Insurance                           | 61,340              | 4.1%                |
| Transportation & Warehousing                  | 22,526              | 1.5%                |
| Waste Mgt and Remediation Services            | 16,205              | 1.1%                |
| Arts, Entertainment and Recreation            | 13,301              | 0.9%                |
| Management of Companies and Enterprises       | 24,730              | 1.6%                |
| All other                                     | 102,891             | 6.9%                |
| <b>Total Loans*</b>                           | <b>\$ 1,500,963</b> | <b>100.0%</b>       |

\*Amounts do not include premiums, discounts, deferred fees and costs

## Loan Concentration

- Real estate collateral-based loans comprise 78% of the total portfolio: \$147M in offices and \$66M in hotel/motel.
- Geographically, the Bank lends primarily in the major metropolitan areas of coastal Southern California.
- Los Angeles represents 47%, San Diego represents 22% and Orange County represents 11% of total loans.

## Loan Portfolio by Type

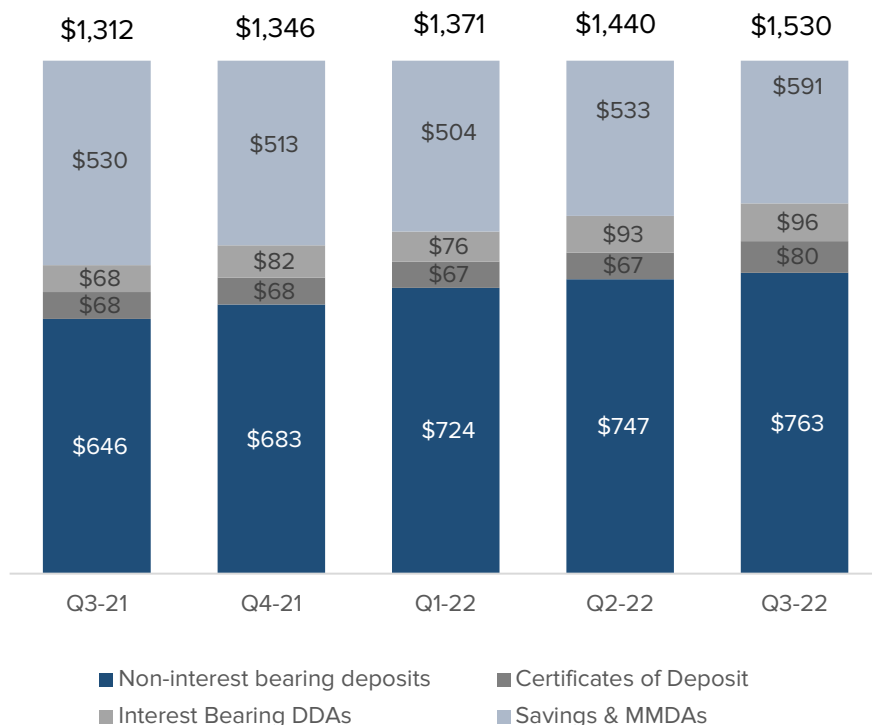


# Compelling Deposit Franchise



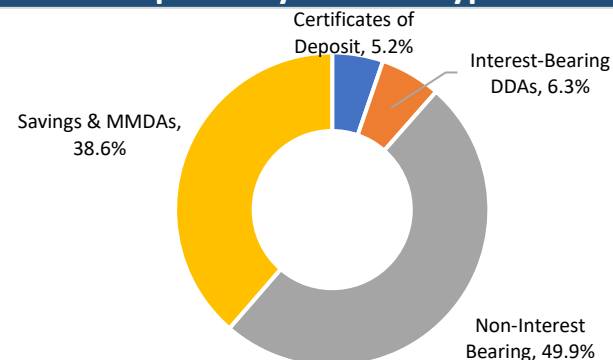
**Proven relationship-based banking model has enabled NIB DDA to grow substantially (18% YoY) while cost of deposits remaining low at 27 bps**

## Growing Core Customer Deposits

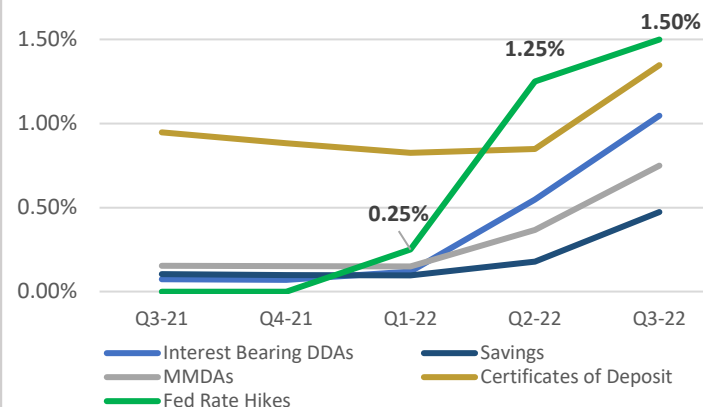


Note: Dollars in millions

## Deposits by Product Type

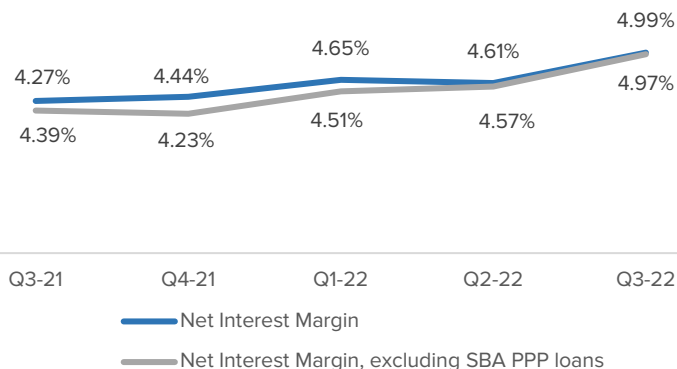


## Deposit Rate Trends vs Fed Rate Hikes



# Disciplined Approach to Net Interest Margin

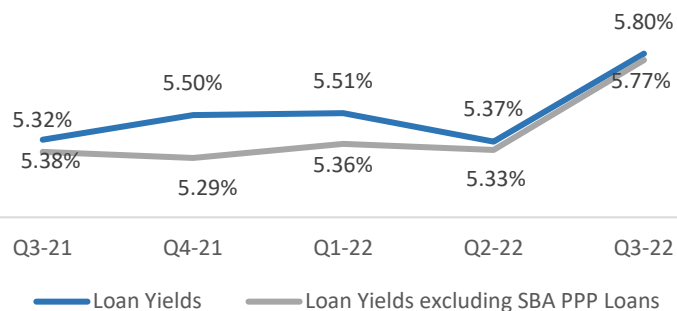
## Stabilizing Net Interest Margin



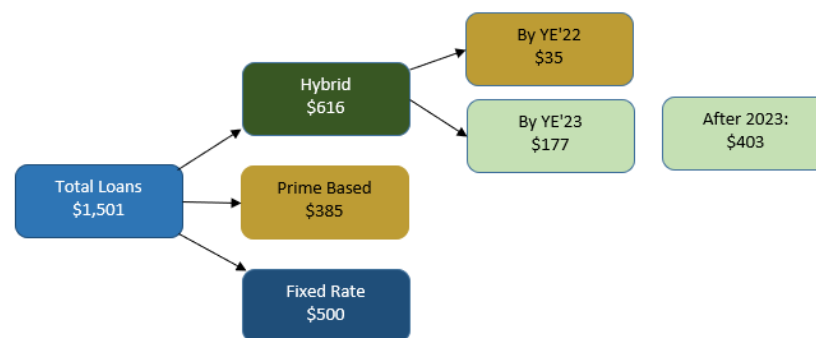
## Poised for NIM Expansion

- Relationship model allows us to maintain spread pricing discipline on new originations
- ~30% of loans are variable/hybrid rates and are poised to reset at higher yields within the next 3 months
- Disciplined approach to deploying cash into higher yielding earning assets (loans and cash flowing short duration securities)

## Portfolio Loan Yields



## Loan Repricing Analysis



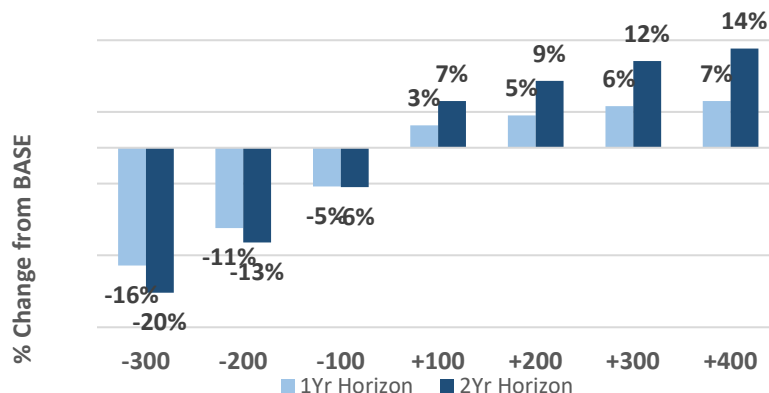
Note: dollars in millions

\* Of the \$420M eligible to reprice in '22, \$18M have periodic rate adjustment caps.

# Interest Rate Sensitivity & Securities Overview



## Net Interest Income Sensitivity



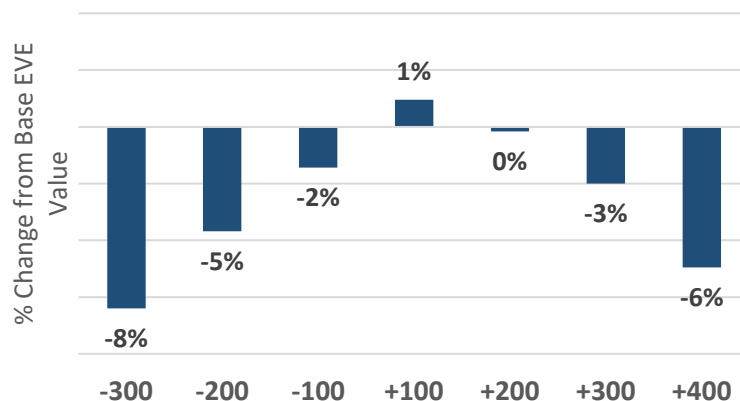
## AFS Securities Portfolio Overview

Dollars in millions

|                 | June 30, 2022    |        |              | September 30, 2022 |        |              |
|-----------------|------------------|--------|--------------|--------------------|--------|--------------|
|                 | Fair Value       | MTM    | Yield        | Fair Value         | MTM    | Yield        |
| US Treasuries   | \$ 20.08         | -0.34  | 2.09%        | \$ 19.83           | -0.60  | 2.09%        |
| MBS/CMBS        | 86.87            | -11.79 | 1.32%        | 81.37              | -14.06 | 1.32%        |
| Bank SubDebt    | 2.12             | -0.13  | 3.97%        | 2.07               | -0.18  | 3.97%        |
| CRA Related (*) | 7.48             | -0.22  | 1.47%        | 7.07               | -0.33  | 1.44%        |
| <b>Total</b>    | <b>\$ 116.56</b> |        | <b>1.51%</b> | <b>\$ 110.33</b>   |        | <b>1.52%</b> |
| <b>Change</b>   |                  |        |              | <b>(6,222)</b>     |        | <b>0.01%</b> |

(\*) Dollars reflect the total committed amounts.

## Economic Value of Equity Sensitivity



## Commentary

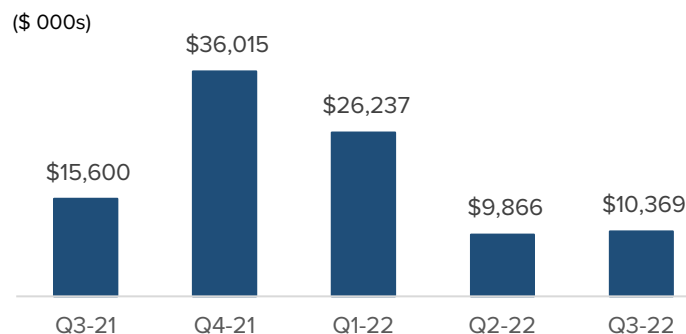
- As of September 30, 2022, CalPrivate remained asset sensitive
- A 100bps increase in rates adds approximately \$2.7mm to net interest income over 12 months
- Wall Street Analysts are forecasting several rate hikes the rest of 2022 and potentially into Q1' 2023. Fed rate increases are expected to be between 75bps and 50bps.
- Management will continue taking measured steps and further position the balance sheet to optimize for a higher rate environment.
- Unrealized losses on securities portfolio increased to -\$15.2M from -\$12.5M in the prior quarter.

# Shifting from SBA sales to balance sheet portfolio

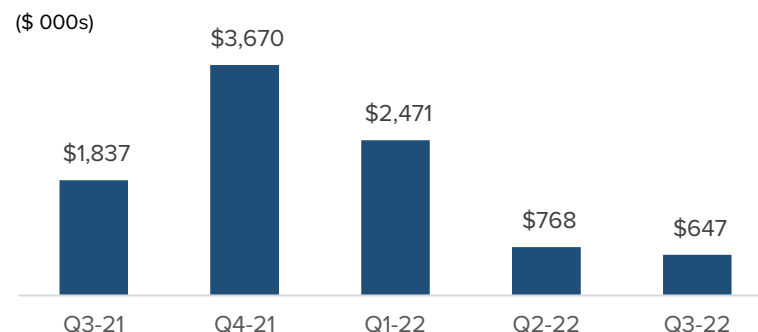


## Increased focus on SBA loan originations through PB Capital Platform

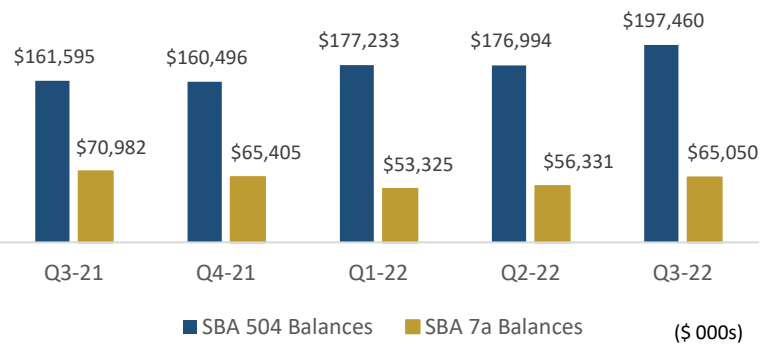
### SBA 7(a) Loan Sales



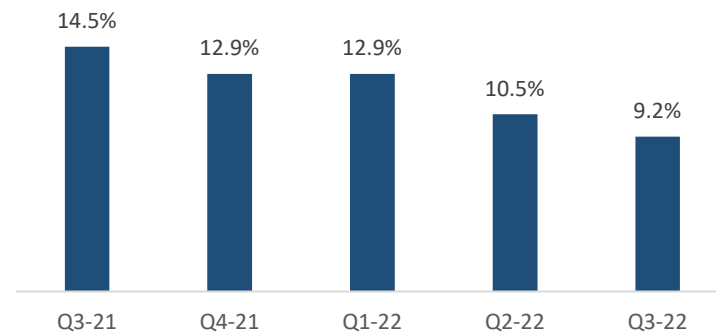
### SBA 7(a) Gain on Sale



### Increasing 504 & 7(a) Loan Balances



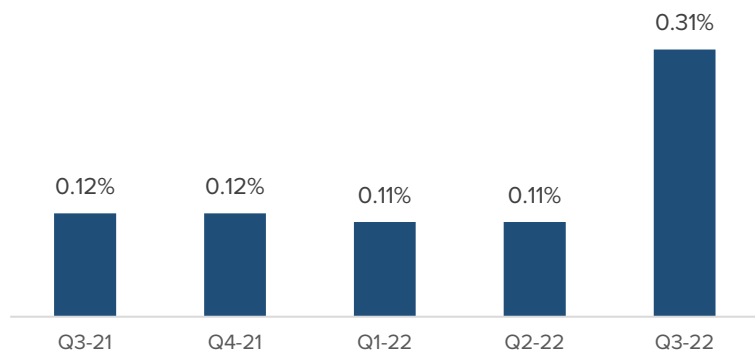
### Average Premium on SBA 7(a) Sales



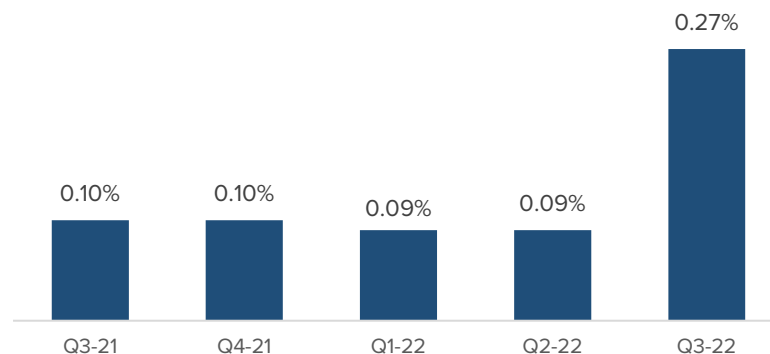
# Solid Credit Risk Management Metrics

High-touch relationship-based banking model results in superior portfolio performance

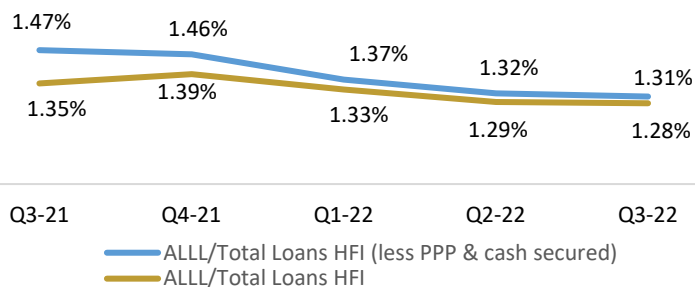
## Non-Performing Loans to Total Loans



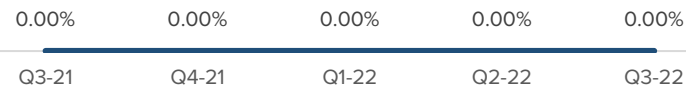
## Non-Performing Assets to Total Assets



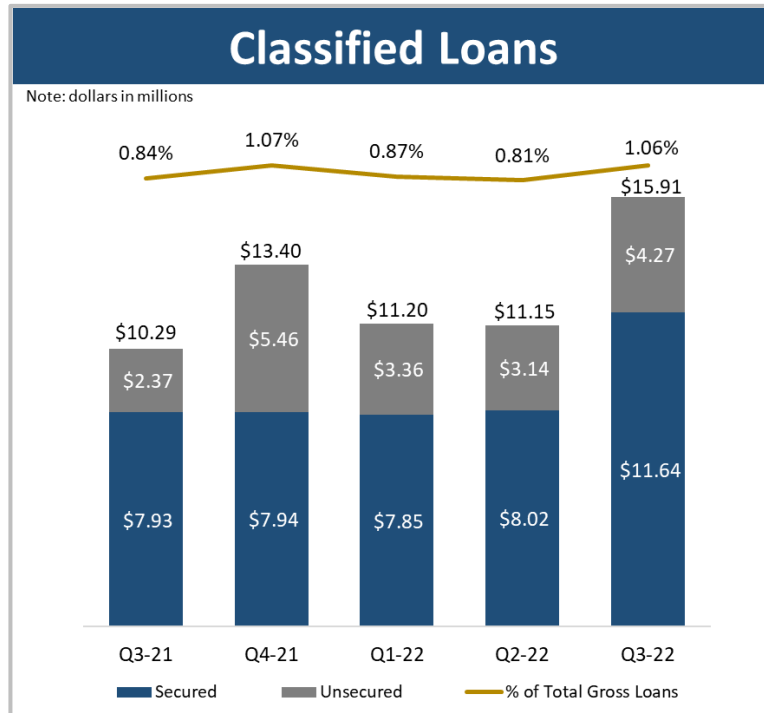
## Allowance for Loan Losses



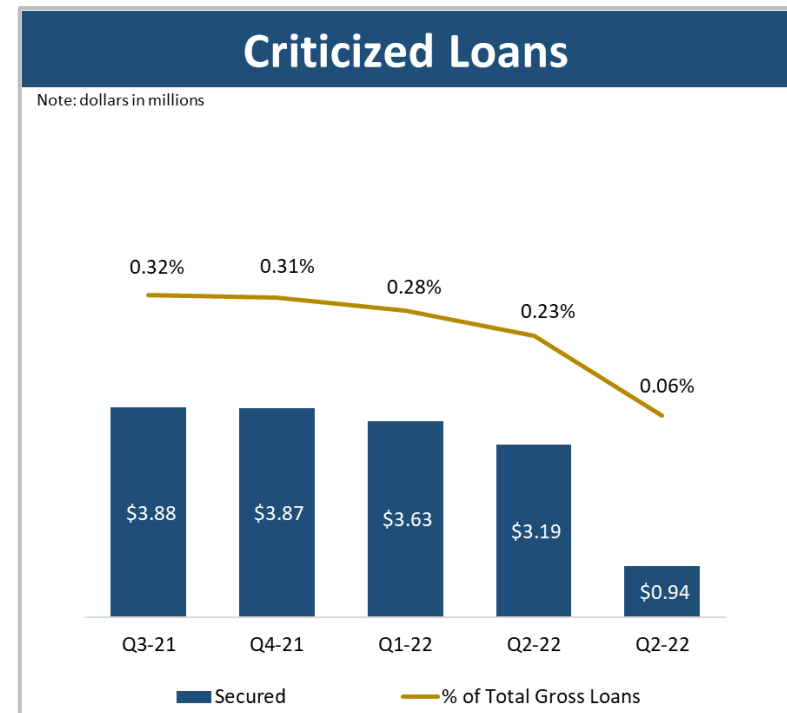
## Net Charge-Offs



## Proactive credit risk management leading to minimal substandard assets



- Unsecured = any loans that are not secured by a real estate property or cash per regulatory legal lending definition



- Total Unsecured Criticized Loans were \$0 for all periods.

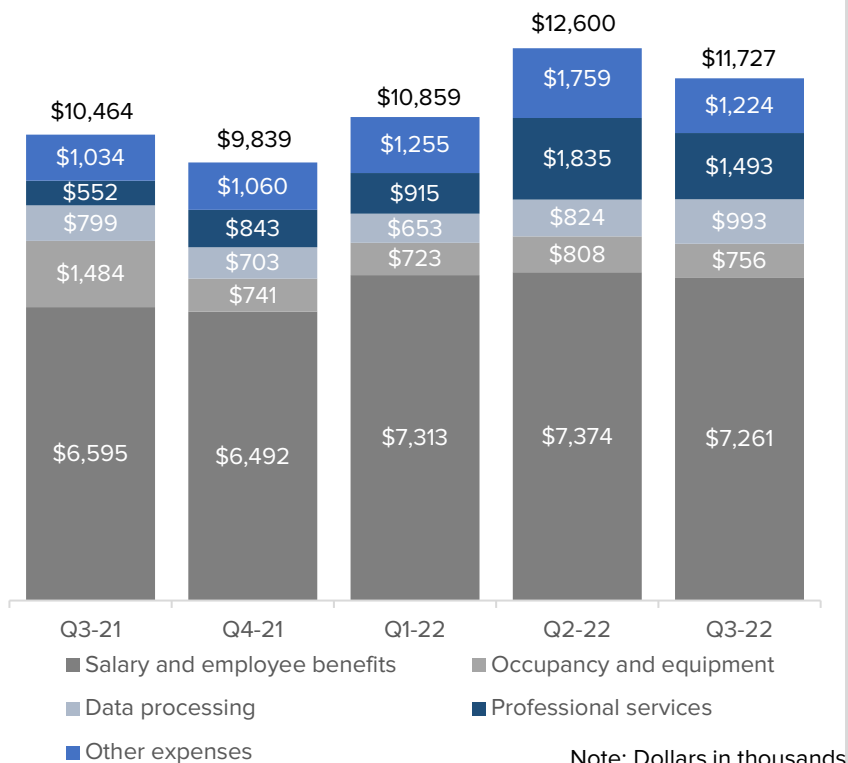


# Operational Efficiency



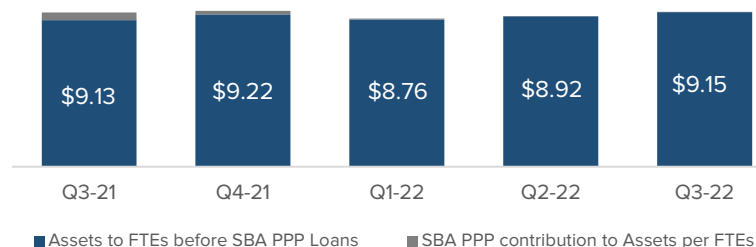
Continued focus on improving operating leverage through technology and process improvement initiatives

## Non-interest Expenses

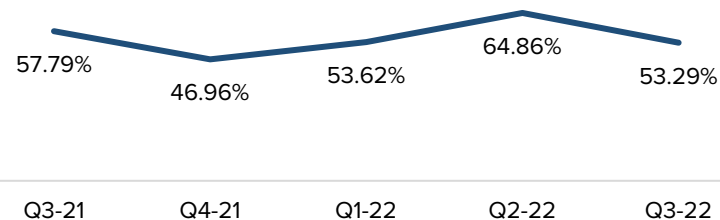


## Assets per FTE

Note: dollars in millions



## Efficiency Ratio

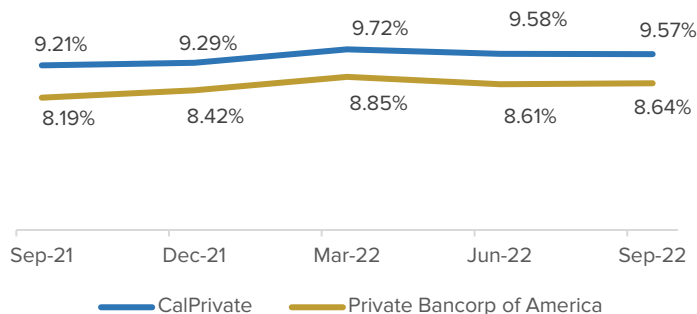


# Strong Capital

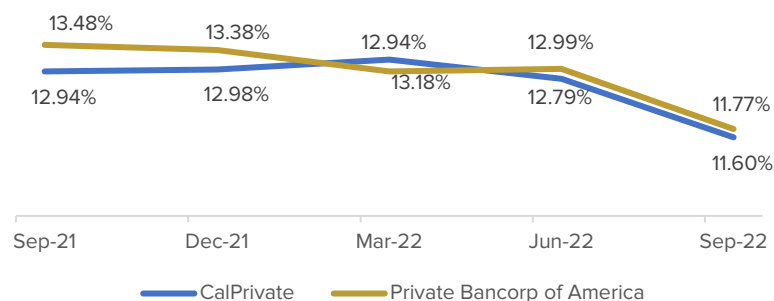


Capital levels remain strong with earnings supporting growth capital needs in near term

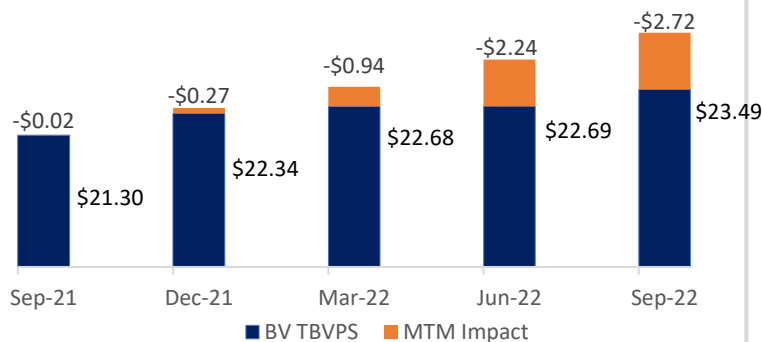
## Tier 1 Leverage Ratio



## Total Risk Based Capital Ratio



## Tangible Book Value per Share



## Capital Strategy

- Maintain optimal levels of capital to ensure high ROC
- Proven ability to add shareholder value by consistently increasing tangible book value
- Investing in areas with high returns on capital, including SBA 7a lending and fee income lines of business
- Deploying capital to opportunistically grow investments and partnerships in FinTech space to stay relevant with Clients

# Community Outreach & Diversity



LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.



**MYCHAL'S**  
Learning Place



**San Diego Zoo**  
Wildlife Alliance  
Academy  
FORMERLY SAN DIEGO ZOO GLOBAL



RMHC®



**Junior**  
Achievement™

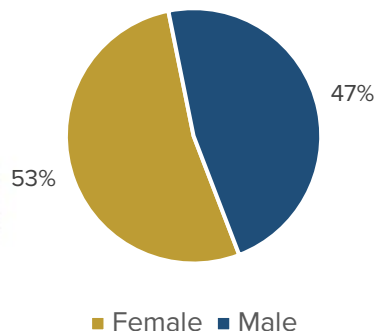


**Hebrew Free Loan**  
SAN DIEGO



## Community Support

- CalPrivate donates to non-profit organizations across a wide range of community groups from Los Angeles to San Diego
- Employee contributions are matched
- Team members donate volunteer hours
- A Community Advisory Board is present in each market, made up of civil and business leaders to provide input to the Board and Management



## Diversity, Equity and Inclusion

- At CalPrivate Bank, our uncompromising commitment is for equal and fair treatment and respect for all people, regardless of race, gender identity, sexual orientation, economic status, disability, or religion. This commitment is a core tenet of our mission with respect to our Team as well as the communities that we serve.
- Over 50% of the workforce identifies as female
- Over 55% of the workforce consists of members of under-represented communities
- Dedicated DEI Committee with all levels of management and employee engagement

# Technology & Innovation Differentiation



## Technology & Innovation Board Committee

- Added Board level expertise in technology, audit and innovation
- Dedicated focus to digital transformation
- Provides oversight on roadmap, governance and budget

## Information Technology Management Committee

- Enhancing focus on Cybersecurity and emerging security trends
- Multi-discipline and cross functional membership ensures enterprise adoption

## Bank Innovation Team

- External focus on products & services development to enhance client experience
- Internal focus on continuous process and service experience improvement through use of technology and customized tools

## Direct Tech Investments

- BankTech Ventures, BankTech Consortium & JAM FINTOP
- Board and Management commitment to finding partnerships through industry leaders that are focused on solving the challenges of community banking

## Exploration of Tech Partnerships

- Exploring partnerships to continue to get closer to our core client's ERP systems
- Partnerships with FinTech companies that help create stronger client relationships by creating new way of adding value

# Key Investment Highlights



## Strong Financial Performance

- Demonstrated ability to generate strong organic balance sheet growth and net income
- Consistent growth of tangible book value
- Above peer group net interest margin

## Prudent Risk Management

- Strong governance process / FDICIA compliance
- Loan pricing discipline with superior credit record and strong asset quality metrics
- Maintain effective levels of liquidity as well as high levels of capital and reserves
- Increased loan portfolio visibility with nCino Commercial Loan platform

## Experienced Leadership with Diversity Focus

- Executive management has on average 25+ years of financial services experience
- Executive Leadership is actively involved in the Bank's Diversity, Equity & Inclusion Committee ("DEI")
- DEI Committee focused on developing cultural, gender identity, and inclusion awareness

## Proactive FinTech Focus

- Investments in BankTech Ventures, BankTech Consortium, and JAM FINTOP to help find and fund technology solutions for community banks
- Actively looking to build technology partnerships with FinTech companies and third-party vendors to expand product and service offerings and create process efficiencies
- Leverage Technology & Innovation Committee to develop FinTech growth initiatives

# Management Contacts



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# Q & A

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Private Bancorp of America, Inc.  
(QT C Q X: P B AM)

(Holding Company for CalPrivate Bank)

