



(OTCQX: PBAM)

(Holding Company for CalPrivate Bank)



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# Q1 2024 Investor Update

April 19, 2024

## **FORWARD LOOKING STATEMENTS**

This presentation contains expressions of expectations, both implied and explicit, that are “forward-looking statements” within the meaning of such term in the Private Securities Litigation Reform Act of 1995. We caution you that a number of important factors could cause actual results to differ materially from those in the forward-looking statements, especially given the current turmoil in the banking and financial markets. These factors include the effects of depositors withdrawing funds unexpectedly, counterparties being unable to provide liquidity sources that we believe should be available, loan losses, economic conditions and competition in the geographic and business areas in which Private Bancorp of America, Inc. operates, including competition in lending and deposit acquisition, the unpredictability of fee income from participation in SBA loan programs, the effects of bank failures, liquidations and mergers in our markets and nationally, 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, system failures and data 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 we anticipate or project. You should not place undue reliance on any such forward-looking statement, which speaks only as of the date on which it was made. Although we in good faith believe the assumptions and bases supporting our forward-looking statements to be reasonable there can be no assurance that those assumptions and bases will prove accurate.

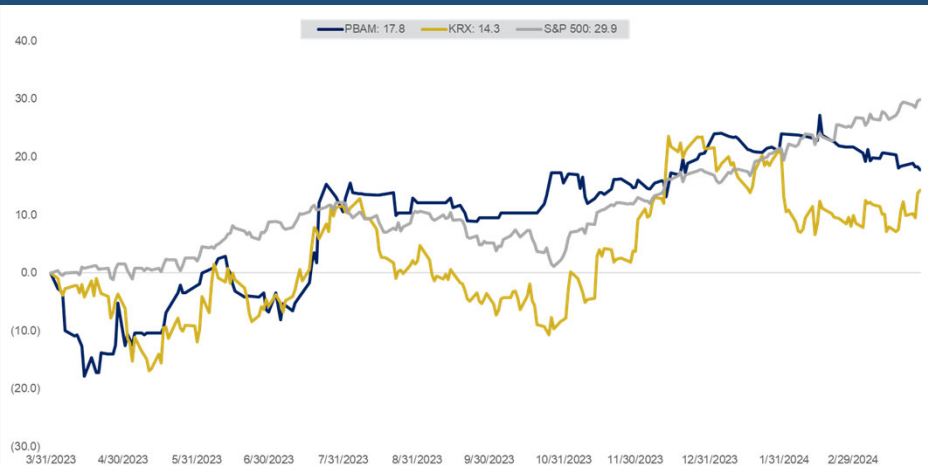
## **NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP financial measures in addition to results presented in accordance with GAAP. The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's results of operations and financial condition and to enhance investors' overall understanding of such results of operations and financial condition, permit investors to effectively analyze financial trends of our business activities, and enhance comparability with peers across the financial services sector. These non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures prepared in accordance with GAAP and should be read in conjunction with the Company's GAAP financial information. A reconciliation of the most comparable GAAP financial measures to non-GAAP financial measures is included in the financial tables of the press release with the Company's financial results for the quarter.

## 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 focus resulting in superior outcomes
- We are a preferred SBA lender and participated in PPP

## PBAM Stock Total Return (vs. KBW Bank Index & S&P 500)



## Coastal Southern California Footprint



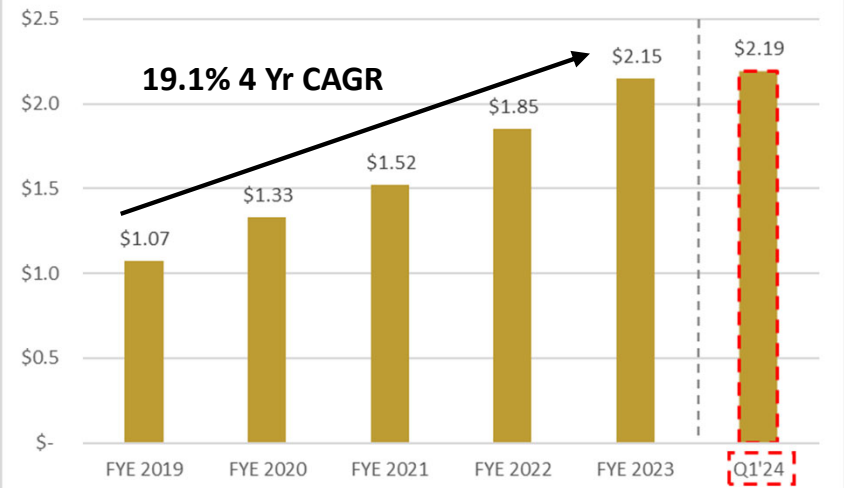
# Consistent Focus on Shareholder Value Creation



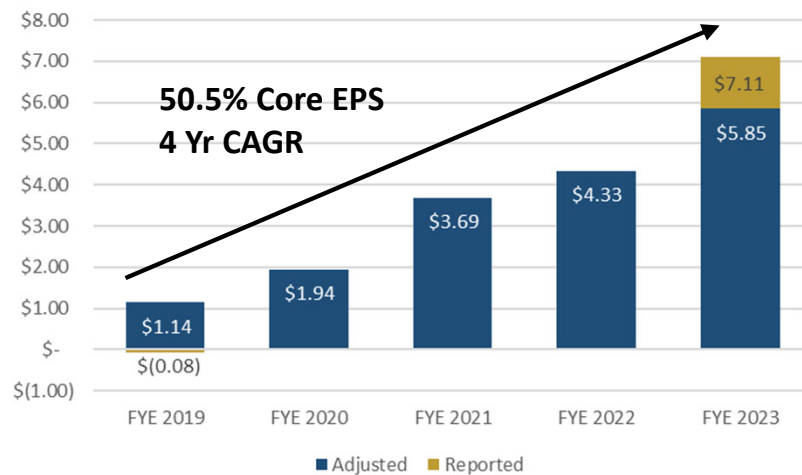
## Growth Oriented Strategy

- Culture of excellence in all aspects of serving Clients
- Growth oriented Sales and Service Teams
- Consistent growth of earning assets at strong yields
- Core EPS growth above 50% CAGR over the last 4 years
- Adding shareholder value through disciplined capital deployment and strong tangible book value growth

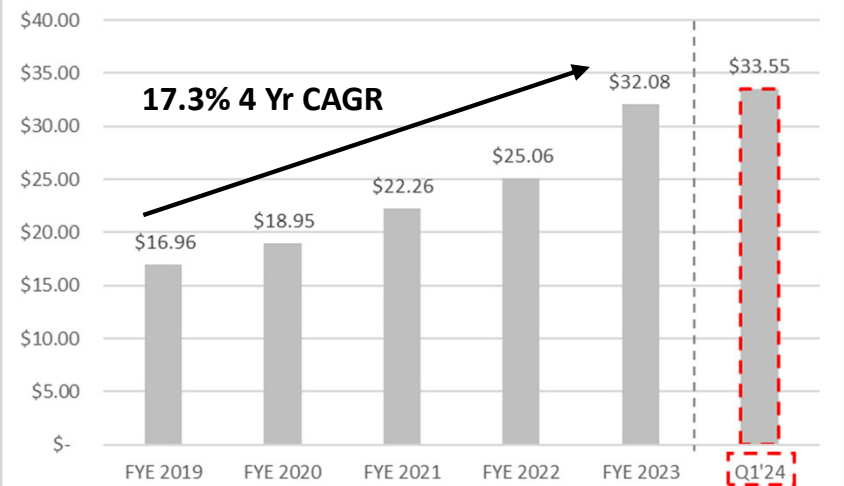
## \$ Total Assets (in Billions)



## \$ Annual EPS



## \$ Tangible Book Value per Share



## Financial Highlights

- \$7.9 million in Net Income
- \$1.36 Earnings Per Diluted Share
- \$2.19 billion in Assets
- \$1.91 billion in Loans HFI
- \$1.90 billion in Deposits
- \$33.55 Tangible Book Value Per Share (up \$1.47 from 12/31/2023)

## Operational & Performance Highlights

- 52.84% Efficiency Ratio
- 4.31% Net Interest Margin
- 1.48% Return On Average Assets
- 16.86% Return On Average Tangible Common Equity
- 12.43% CalPrivate Bank Total Risk Based Capital Ratio\*

\* Preliminary

## Asset Quality Highlights

- ALLL of \$24.7 million or 1.29% of total loans HFI
- Non-Performing Assets to Total Assets Ratio of 0.21%
- Total Classified Assets of \$10.8 million, of which \$6.9 million is secured by real estate with an average LTV of 43.3%
- No doubtful credits

## Loan & Deposit Highlights

- Total loans HFI grew \$60 million, up 3.2% from Q4'23
- Average Portfolio Loan Yields of 7.11%, up from 6.98% in Q4'23
- Core deposits increased \$22 million, up 1.4% from Q4'23
- Non-interest-bearing deposits represent 27.1% of total deposits (32.1% of core deposits)
- Cost of Funds - Deposits: 2.61% All Funding: 2.70%
- Uninsured deposits, net of collateralized and fiduciary deposit accounts, represent 46% of total deposits
- \$1.6 billion total available liquidity at 3/31/24 - representing 181% of uninsured deposits, net of collateralized and fiduciary accounts

## Opportunistic Balance Sheet Growth

- Drive organic growth through relationship-based banking, expanding current client relationships and obtaining new ones
- Opportunistic top-tier talent acquisition for new markets and current market expansion
- Broader penetration into High Net Worth, legal industry, property management & family office
- M&A and / or IPO Readiness

## Leverage Operating Model

- Maintain loan pricing discipline through relationship-based model, mix of products, and strategic use of floors and prepayment penalties
- Focus on deposit retention and opportunistic growth niches
- Execute on operating efficiency improvements through technology investments

## Risk, Liquidity, Funding and Capital Management

- Maintain disciplined loan underwriting practices and active portfolio management
- Enhanced portfolio monitoring and reporting, stress testing, etc.
- Maintain appropriate levels of liquidity, capital and reserves
- Optimize on and off-balance sheet liquidity

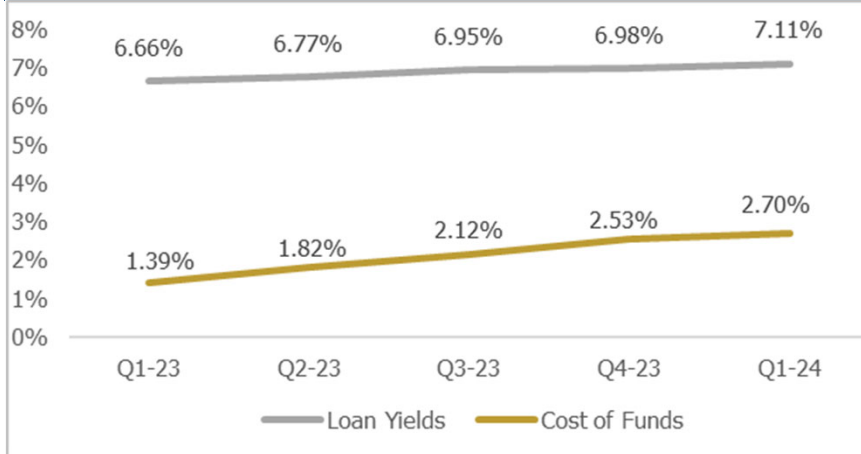
## Non-Interest Income Opportunities

- Treasury Management focus on increasing fee income in existing customer base
- Expansion of merchant and international services to drive new revenue channels
- Exploration of new niche markets that provide fee income and deposits
- Recent hires to focus on strategic product and innovation opportunities

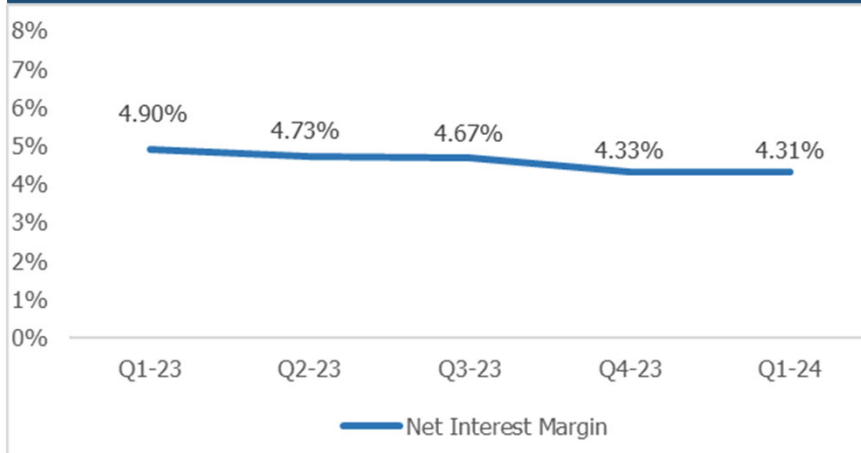
## Investments in Innovation to Support Growth

- Utilize nCino loan origination platform to drive efficiency in CRM, lending workflow and approval
- Continue to build technology partnerships to expand service offerings
- Leverage Technology & Innovation Committee to expand FinTech growth initiatives
- Enhance product roadmaps and utilize data to streamline sales cycle and opportunity identification within portfolio

## Asset Yields & Cost of Funds



## Net Interest Margin



## NIM Protection Strategy

**Proven Relationship Banking model allows for keen understanding of Clients and providing them with value**

### Strong Loan Yields

- Desirable mix of Fixed, Variable and Hybrid loan types
- Fixed Rate Loan Terms generally at 5 years or less
- Relationship model allows us to maintain spread pricing discipline on new originations
- Use of Prepayment Penalties, Floors and other Yield Protecting Loan Structures

### Deposit Retention & Growth

- Robust product offering, including IntraFi ICS & CDARS programs
- Exception based deposit pricing which can be adjusted with changes in treasury rates
- Recent expansion of legal vertical with new hires

### Other NIM Performance Contributors

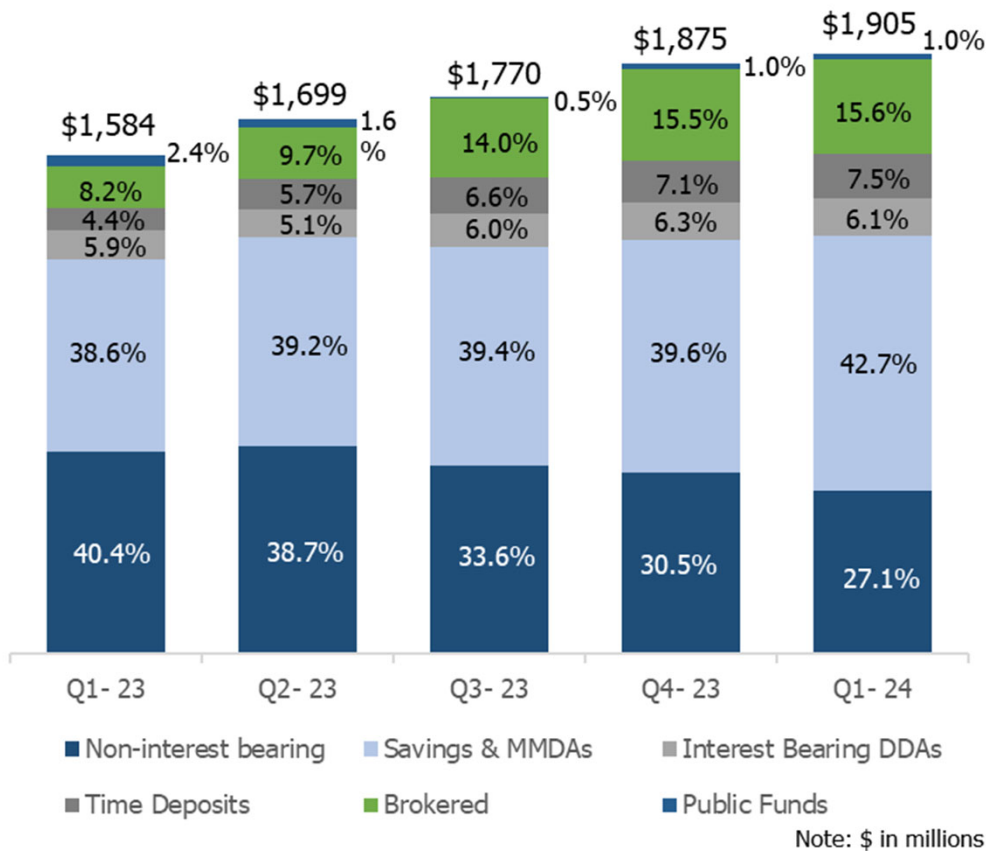
- Strong Yields on Cash and Due From Banks
- Alternative Funding Sources and Borrowings used to fund transactional, higher yielding assets
- Opportunistically seeking growth in securities book to increase overall portfolio yield

# Strong Deposit Franchise

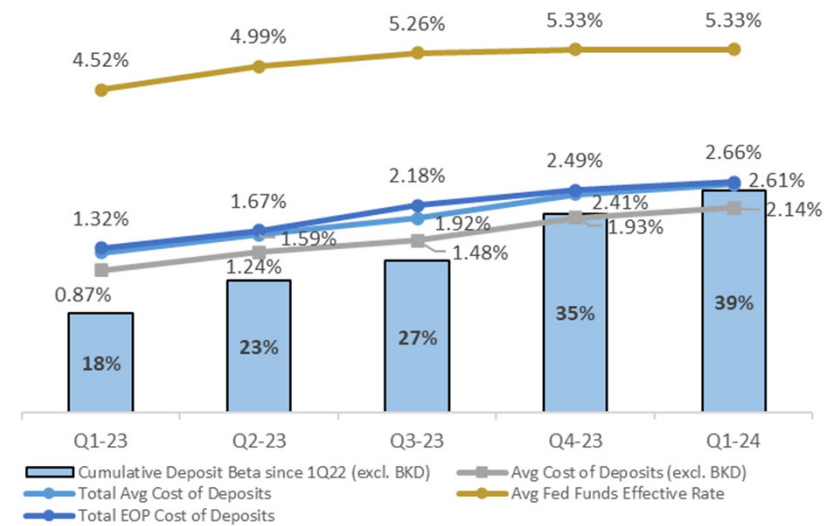


Emphasis on deposit retention in an environment of higher rates and extreme competition. Focus on proactive management of exception priced deposits with an eye on the Fed and client yield alternatives

## Growing Customer Deposits



## Deposit Rate Trends

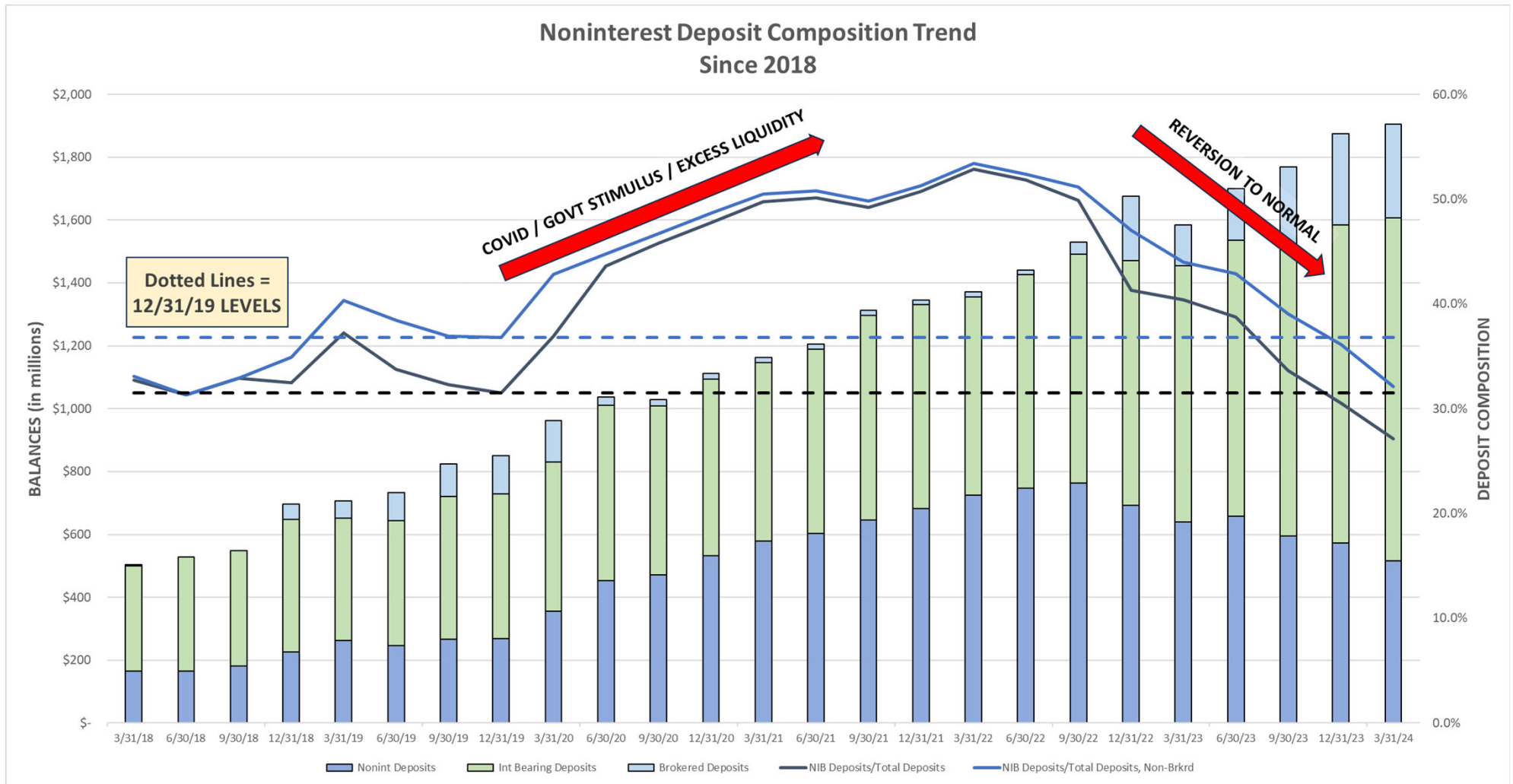


- Total deposits increased \$29 million during Q1'24 (1.6%), comprised of \$22 million growth from core deposit accounts and \$7 million from brokered deposits.
- Year over year core deposit growth of \$153 million.
- Weighted average end of period (spot) deposit rate of 2.66% at 3/31/24, 2.24% excluding brokered accounts



# Noninterest Deposit Trends

Our Teams focus on full Relationships and operating accounts. Non-interest bearing DDA balance growth resulting from extended low rate environment and unprecedented government stimulus is returning to historical levels

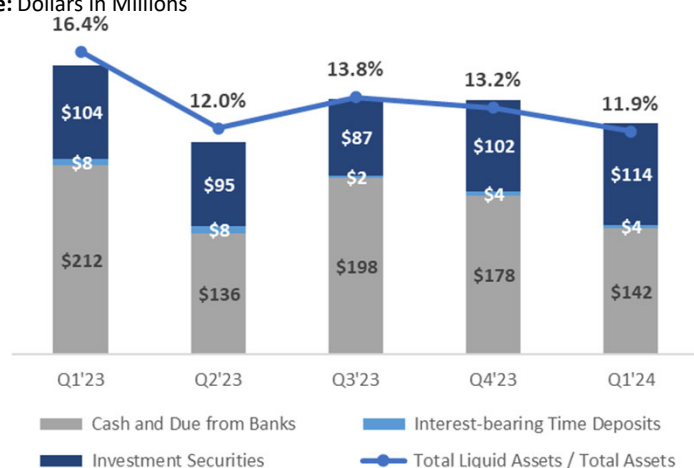


# Strong Liquidity & Funding Position

Focus on maintaining strong liquidity position and optimizing funding mix

## Liquid Assets

Note: Dollars in Millions



## Total Available Liquidity

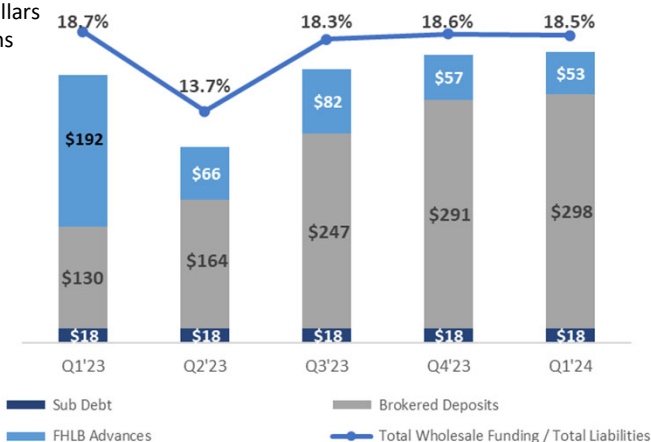
Liquidity Sources	& Unused (000's)	Uninsured Deposits
Cash, unrestricted	137,315	16%
Liquid Securities <sup>1</sup>	109,452	12%
<b>Total Liquidity From Internal Sources</b>	<b>246,767</b>	<b>28%</b>
FHLB	484,838	55%
FRB	491,969	56%
Brokered Deposits	274,358	31%
Other <sup>2</sup>	100,000	11%
<b>Total Liquidity From External Sources</b>	<b>1,351,165</b>	<b>153%</b>
<b>Total Liquidity From Internal &amp; External Sources</b>	<b>1,597,932</b>	<b>181%</b>
Uninsured Deposits, net of collateralized & fiduciary accounts	\$882,172	
<b>Uninsured Deposits / Total Deposits</b>	<b>46.3%</b>	

<sup>1</sup> U.S. Treasuries, Agency Debt, Ginnie Mae/Fannie Mae/Freddie Mac MBS & CMO

<sup>2</sup> Unsecured Fed Funds lines of credit, secured repo facilities

## Wholesale Funding

Note: Dollars in Millions



## Commentary

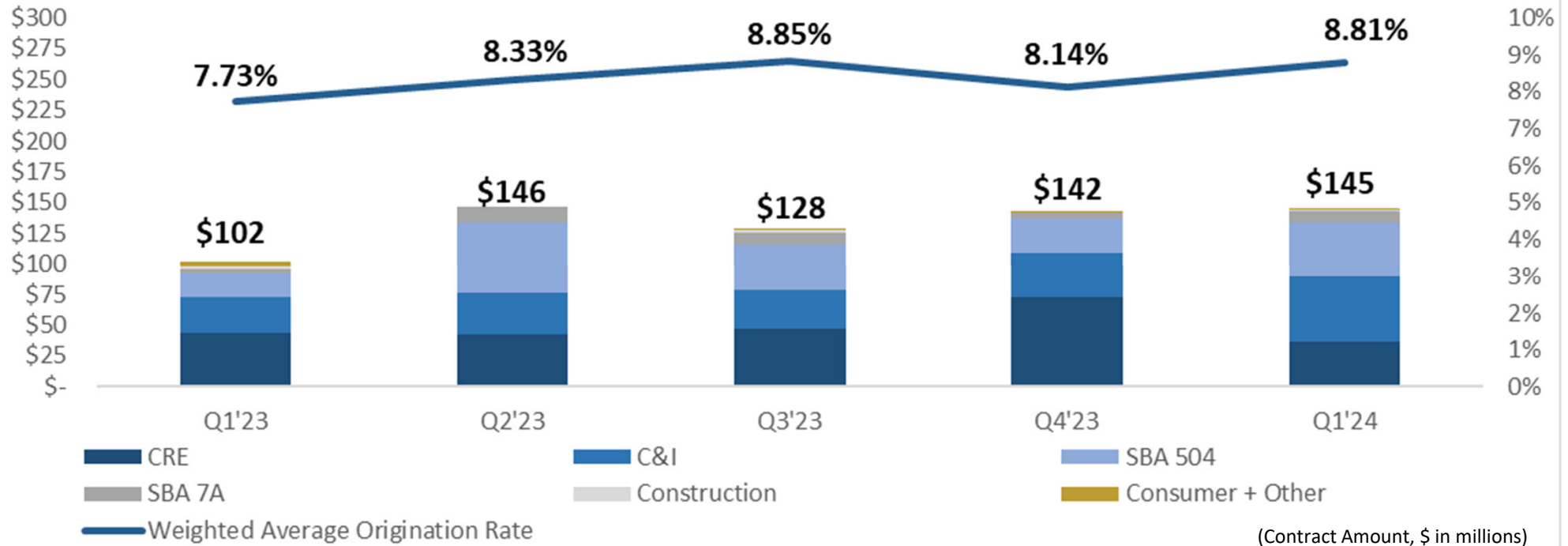
- Q1'24 liquid assets and wholesale funding remained relatively consistent with Q4'23 on percentage of assets and liabilities basis.
- Opportunistic use of term advances and brokered deposits in Q1 to help ease NIM compression
- \$1.6 billion total available liquidity at 3/31/24 - \$247 million on-balance sheet and \$1.4 billion from external sources. Total liquidity represents 181% of uninsured deposits, net of collateralized and fiduciary accounts

# Loan Originations by Quarter



Due to slower loan demand across the industry and with our Clients, we are opportunistically lending across all channels and regions at rates of return to drive higher Net Interest Income and support NIM

## Loan Originations



## Commentary

- Current lending strategy targets the use of Prepayment Penalties, Floors and other Yield Protection structures with an overall emphasis on Margin and Profitability over Balance Sheet growth
- Quarterly originations remain strong over last five quarters

## Key Origination Rates

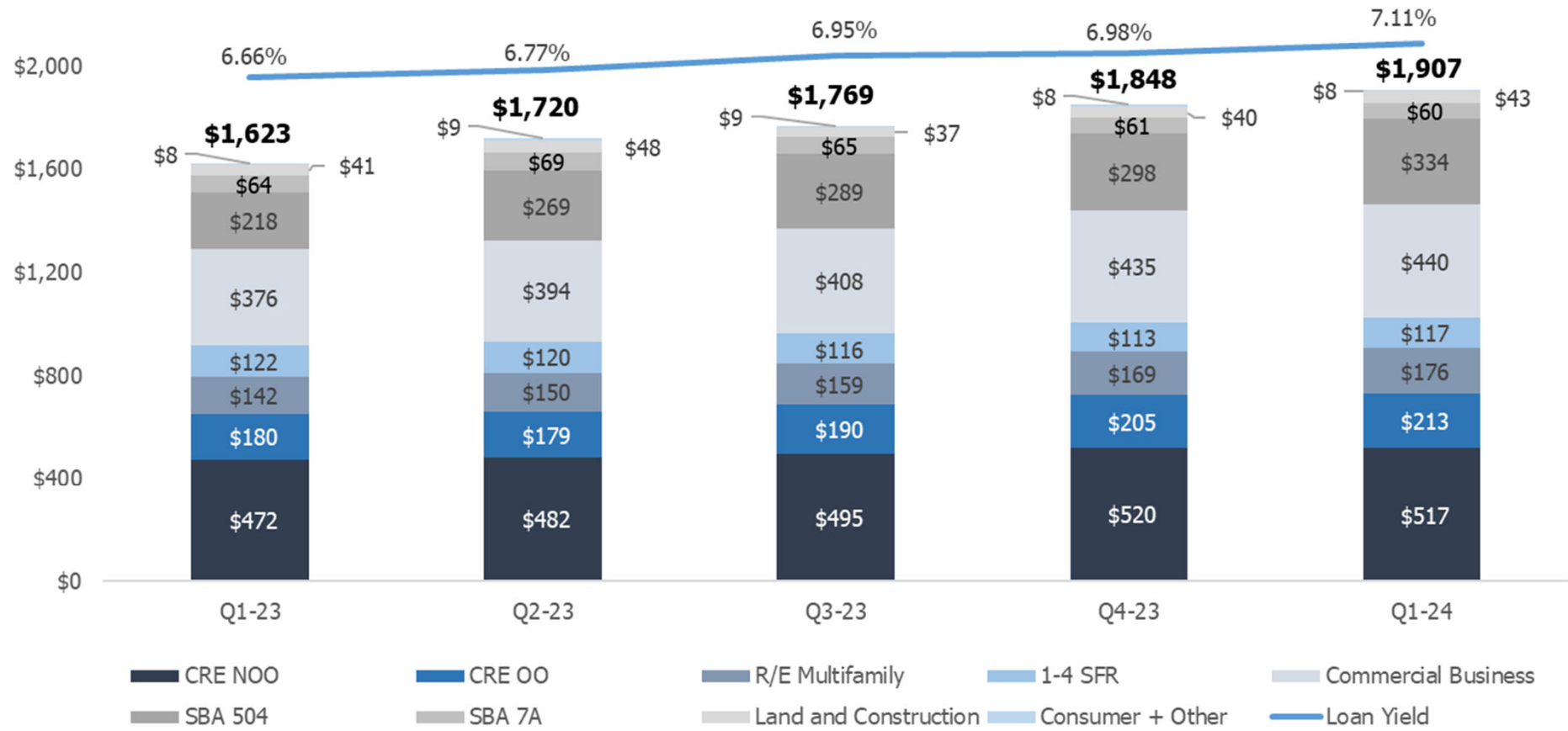
	3Q'23	4Q'23	1Q'24
• CRE	8.29%	7.53%	8.06%
• C&I	8.10%	8.07%	8.62%
• SBA 504	9.56%	9.34%	9.21%
• SBA 7A	11.20%	11.23%	11.13%

# Demonstrated Organic Growth in Loans



Taking advantage of market opportunities and restricted lending by others produced increases in loan balances by 17% YoY with strong yields

## Loan Balances



Note: Dollars in Millions

# Loan Portfolio Breakdown

## Loan Portfolio by Industry

Borrower's Industry (by NAICS sector code)	Total (in 000s)*	% of Total Loans
Real Estate Investment/ Rental & Leasing	\$ 1,042,083	54.6%
Construction/ Builders & Contractors	75,228	3.9%
Accommodation/Hotels & Food Services	165,344	8.7%
Manufacturing & Productions	79,327	4.2%
Professional/Scientific/Technical Service	67,043	3.5%
Retail Sales & Trades	84,986	4.5%
Health Care and Social Assistance	103,589	5.4%
Wholesale Trade	34,252	1.8%
Finance & Insurance	49,119	2.6%
Transportation & Warehousing	30,438	1.6%
Waste Mgt and Remediation Services	20,582	1.1%
Arts, Entertainment and Recreation	12,362	0.6%
Management of Companies and Enterprises	24,443	1.3%
All other	119,817	6.3%
<b>Total Loans*</b>	<b>\$ 1,908,614</b>	<b>100.0%</b>

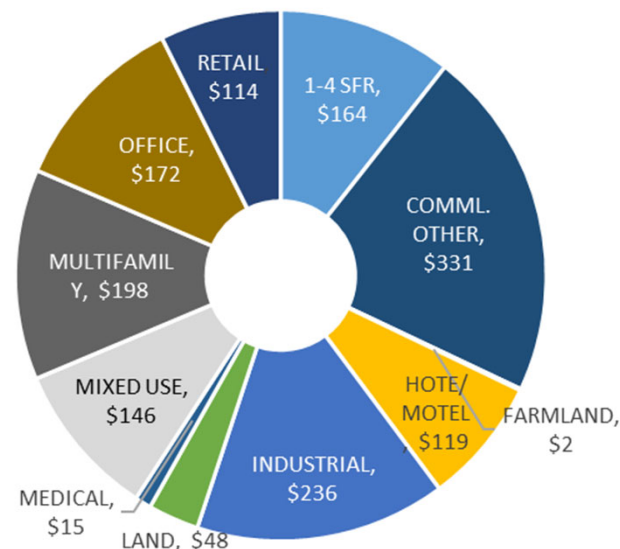
\*Amounts do not include premiums, discounts, deferred fees and costs. Includes loans held for sale

## Loan Concentration

- Portfolio is 81% Real Estate secured with 50% average LTV
- Geographically, the Bank lends primarily in the major metropolitan areas of coastal Southern California: Los Angeles represents 42%, San Diego represents 24% and Orange County represents 10% of total loans
- SBA 504 2<sup>nd</sup> trust deeds -Bridge Loans with term of 1 year or less represent \$18 million
- Current competitive conditions allow for market share increase of loans in certain industries

## Loan Secured by Real Estate

\$1,545 Million of Loan Portfolio Secured by Real Estate (81%)

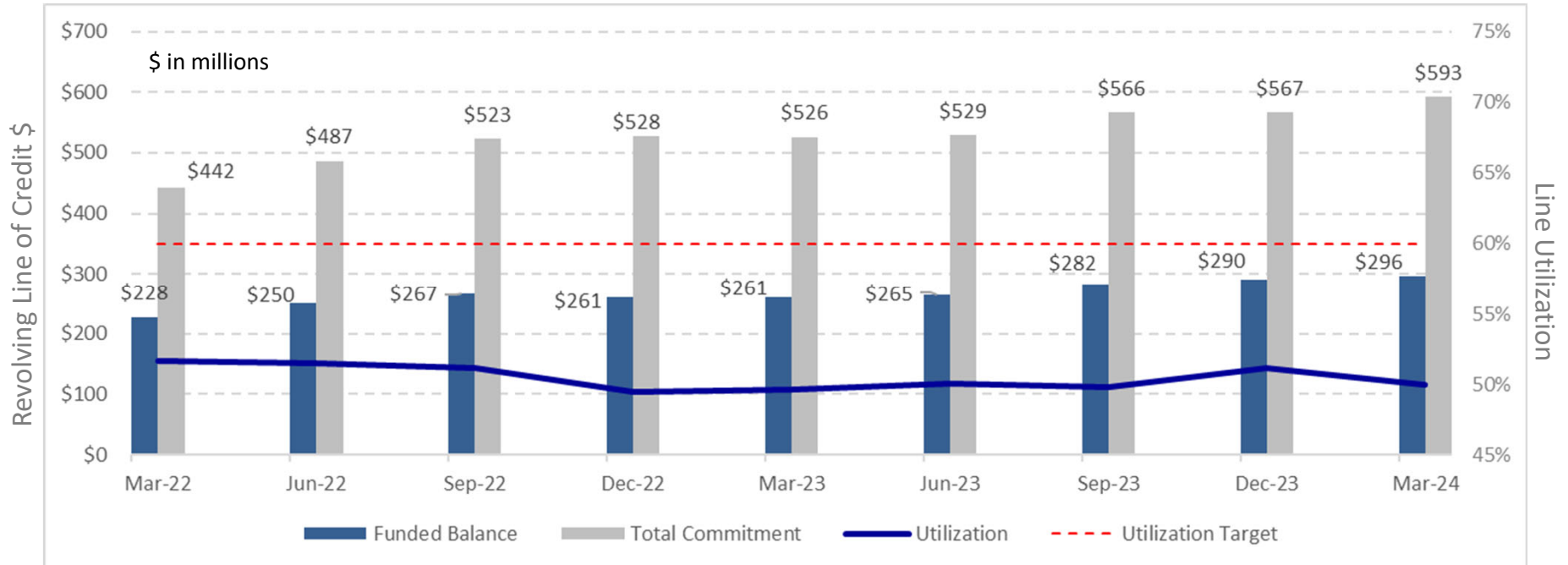


### Loans Secured by Real Estate - Specific Portfolio Details

Loan Type	% of Portfolio	WAVG LTV	WAVG DSCR	% Owner Occupied
Office	11.1%	50.3%	3.44	53%
Hotel & Motel	7.7%	52.4%	3.65	N/A
Retail	7.4%	53.2%	2.45	42%
Multifamily	12.8%	61.0%	4.20	N/A

# Total Revolving Lines of Credit

## Total Revolving Lines of Credit



### Overview

- 16% Compound Annual Growth Rate (CAGR) for revolving line amounts over last 8 quarters
- Operating accounts are a focus to drive core deposits and cash management fees
- We are targeting a 60% utilization and will use the renewal process to ensure prudent credit exposure and additional income on unused lines

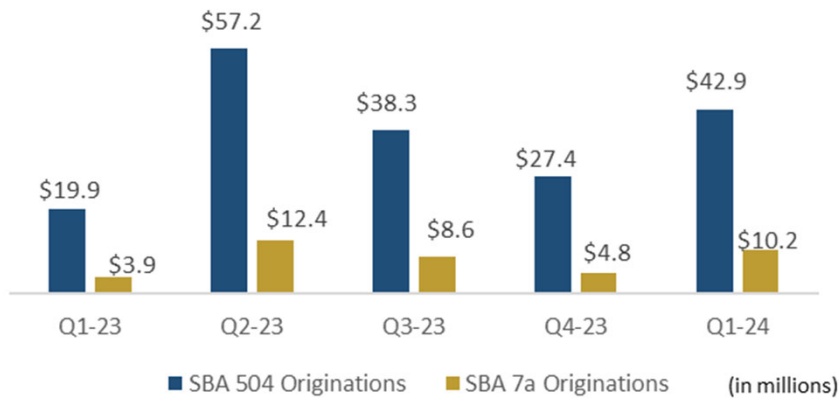
### Utilization & Rates

- Use of floors on variable lines to mitigate NIM compression
- Cautiously optimistic on increased future utilizations given economic headwinds (e.g., recession)
- Some paydowns in business lines is expected, putting pressure on DDA growth

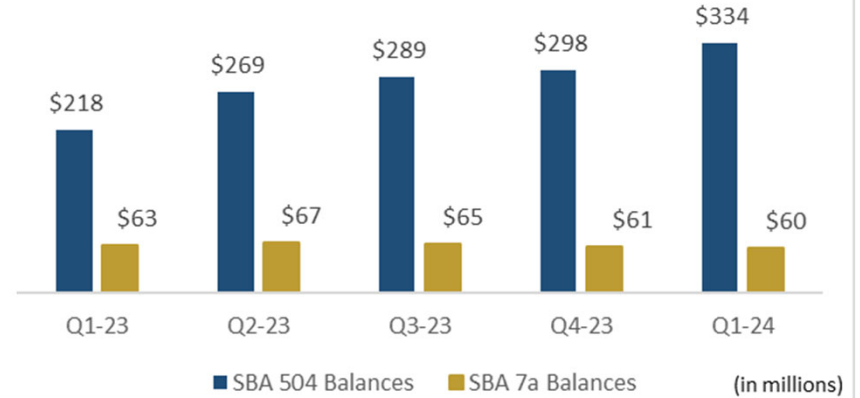
# SBA Lending and Shifting Market Dynamics

Shifting loan sales to balance sheet portfolio given softness in market and attractive loan yields, partially offset by higher prepay speeds on the SBA 7a portfolio. Approx 1/3 of SBA 7a balances are guaranteed.

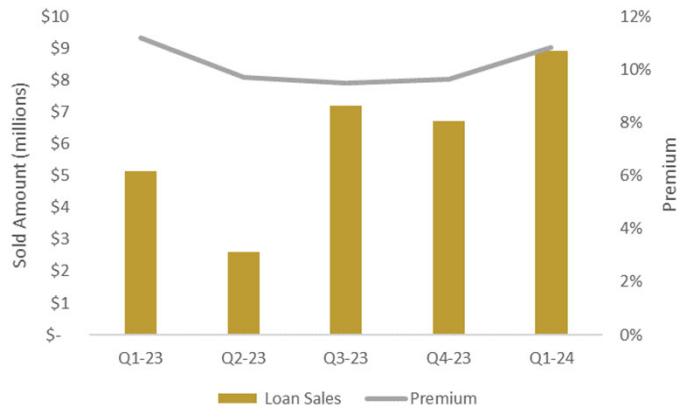
## SBA Originations



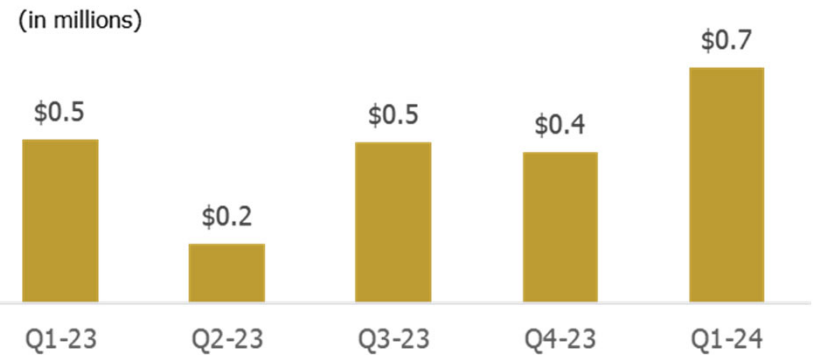
## Increasing SBA Loan Balances



## SBA 7(a) Loan Sales & Premiums



## SBA 7(a) Gain on Sale and Referral Income



# Interest Rate Risk Management



## Loans Repricing & Maturities

March 31, 2024

Fixed-Rate Loans				Adjustable-Rate Loans (incl. Hybrids)			
Term to Maturity	Balance (in 000's)	Rate	% of Loans	Term to Rate Adjust	Balance (in 000's)	Rate	% of Loans
Within 1 year - RLOC	\$ 16,294	4.89%	0.9%	Within 1 year - RLOC	\$ 273,172	9.28%	14.3%
Within 1 year - Other	92,309	5.96%	4.8%	Within 1 year - Other	291,457	8.76%	15.3%
1 to 2 years	114,319	5.68%	6.0%	1 to 2 years	81,693	6.31%	4.3%
2 to 3 years	94,313	5.09%	4.9%	2 to 3 years	168,153	5.76%	8.8%
3 to 4 years	135,985	5.44%	7.1%	3 to 4 years	193,026	5.98%	10.1%
4 to 5 years	84,006	5.36%	4.4%	4 to 5 years	243,341	7.68%	12.7%
Over 5 years	120,547	5.43%	6.3%	Over 5 years	-	0.00%	0.0%
	<u>\$ 657,772</u>	<u>5.48%</u>	<u>34.5%</u>		<u>\$ 1,250,842</u>	<u>7.67%</u>	<u>65.5%</u>

RLOC = Revolving line of credit

## Interest Rate Sensitivity

Rate Shock Scenario (in Bps)	Estimated Change from 3/31/24 Baseline forecast	
	1-Yr Net Interest Income	Economic Value of Equity
+200	0.2%	10.8%
+100	0.2%	6.0%
-100	0.5%	-5.1%
-200	1.3%	-10.6%

## Investments AFS Portfolio

Dollars in thousands

	December 31, 2023				March 31, 2024			
	Fair Value	MTM	Mod Duration	Book Yield	Fair Value	MTM	Mod Duration	Book Yield
<b>U. S. Treasuries</b>	\$ 11,277	(213)	0.65	2.05%	\$ 8,338	(157)	0.57	2.05%
<b>MBS/CMO/CMB</b>	86,608	(11,266)	3.93	2.07%	101,114	(11,580)	3.80	2.81%
<b>SBIC</b>	3,236	(296)	2.93	2.76%	3,159	(320)	3.16	2.77%
<b>Sub Debt</b>	1,378	(372)	6.19	3.89%	1,457	(293)	6.10	3.89%
<b>Total</b>	<u>\$ 102,499</u>	<u>(12,147)</u>	<u>3.61</u>	<u>2.12%</u>	<u>\$ 114,067</u>	<u>(12,350)</u>	<u>3.59</u>	<u>2.77%</u>
<b>Change</b>					<u>11,569</u>			<u>0.65%</u>

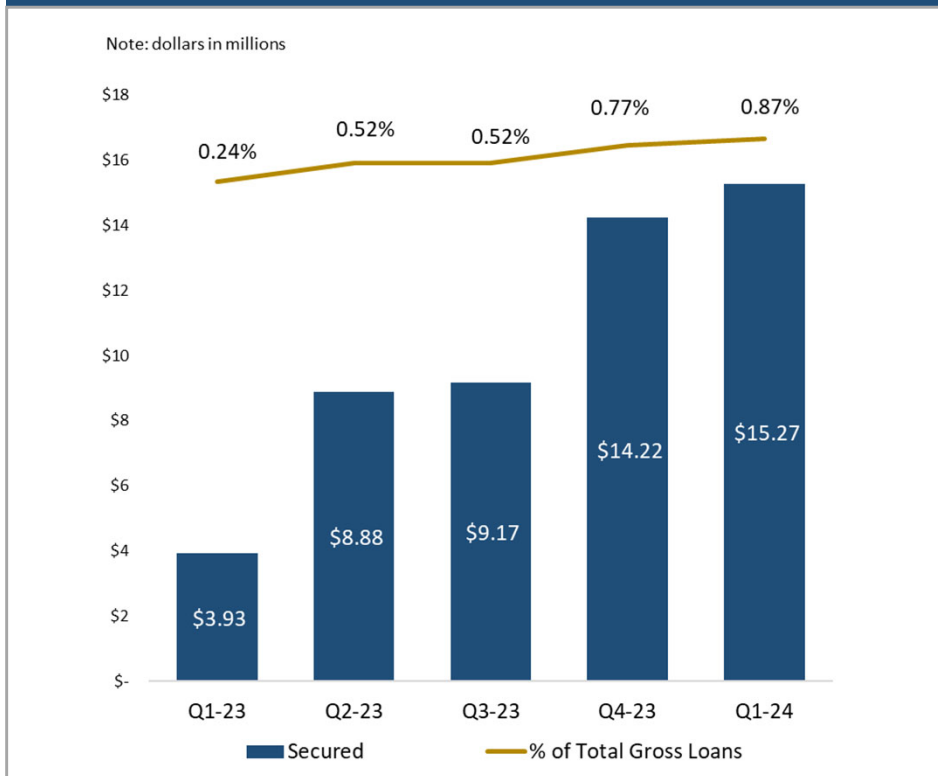
## Commentary

- At 3/31/24, 35% of loans were fixed-rate and 65% were adjustable (44% hybrid and 21% variable-rate)
- 35% of loans to reprice or mature within 1 year while only 6% of loans scheduled to reprice or mature after 5 years
- Even though slightly asset-sensitive risk profile, our discipline of maintaining interest rate floors on new loan originations and renewals mitigates interest rate risk in declining-rate environments



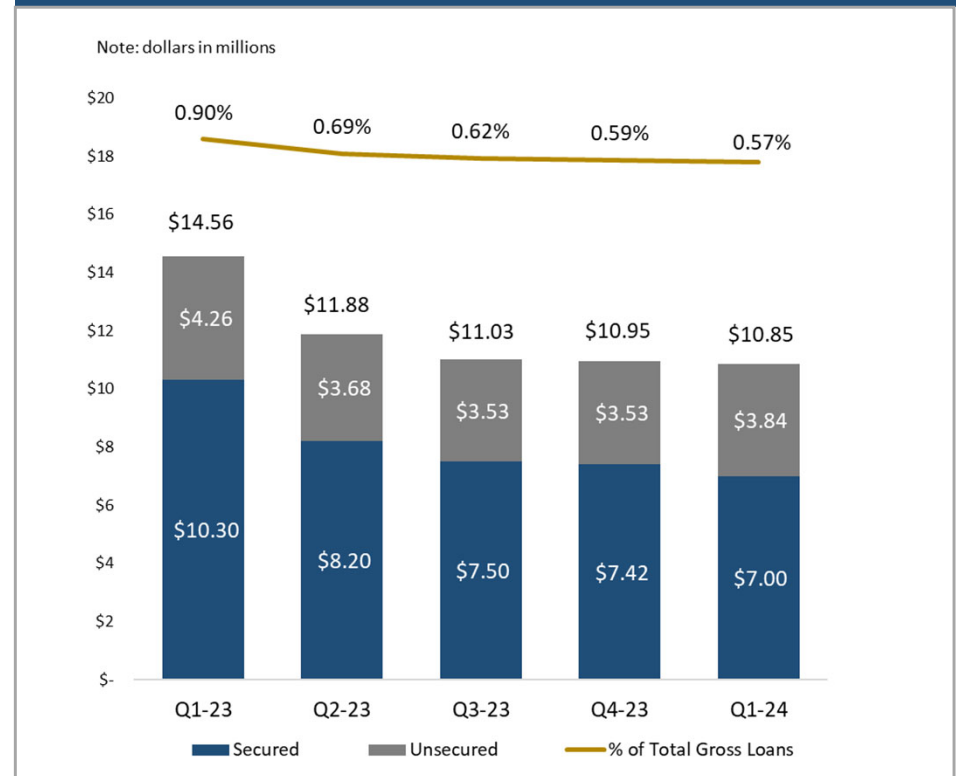
## Proactive credit risk and loan portfolio management leading to minimal substandard assets

### Criticized Loans



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

### Classified Loans

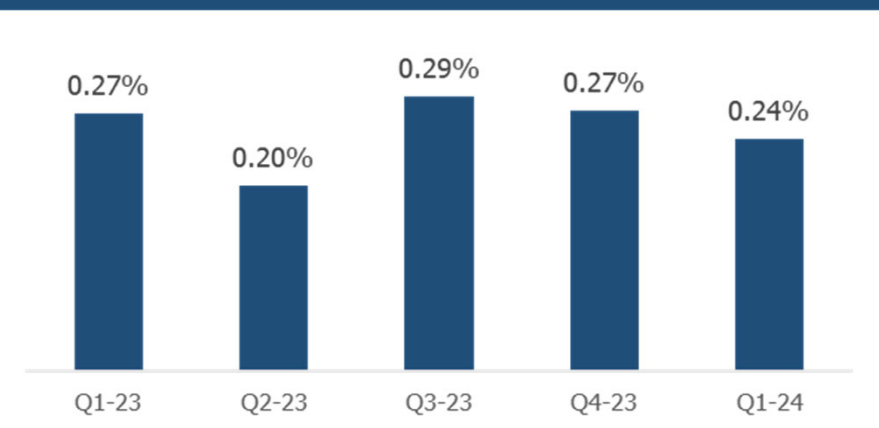


- Unsecured = any loans that are not secured by a real estate property or cash per regulatory legal lending definition

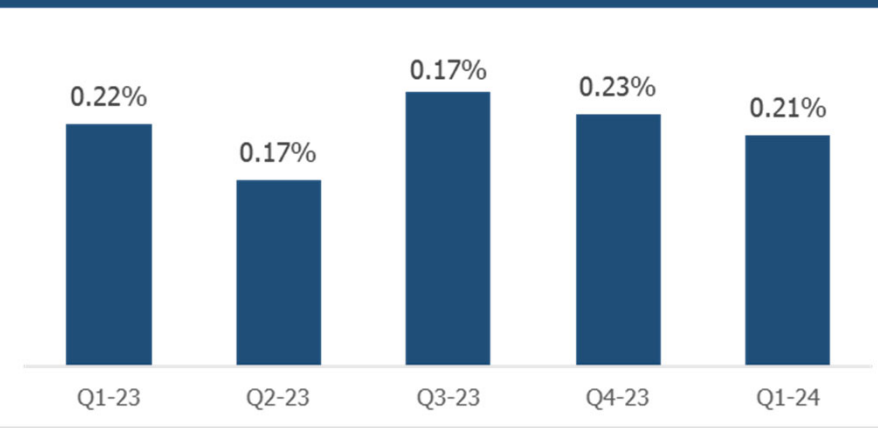
# Solid Credit Risk Management Metrics

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

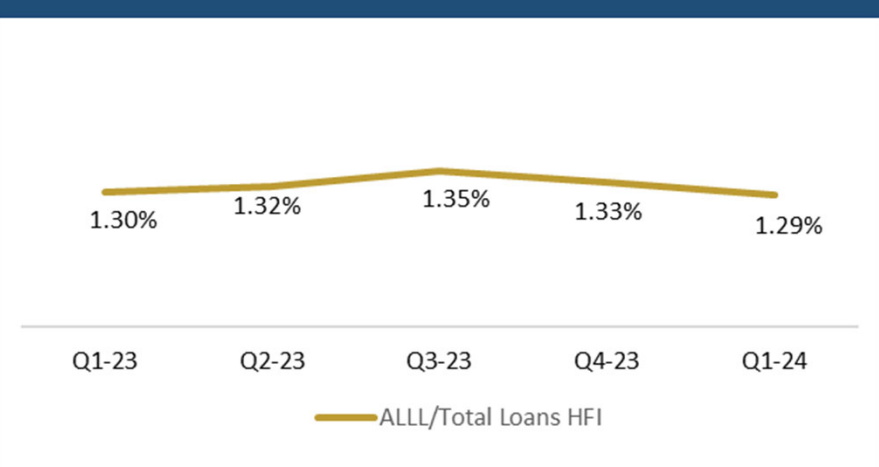
## Non-Performing Loans to Total Loans



## Non-Performing Assets to Total Assets



## Allowance for Loan Losses



## Credit Commentary

- Proactive SBA and Loan Portfolio Management
- 3 total non-performing loans (\$4.7 million)
  - 1 Real Estate Secured Loan with 57% LTV
  - 1 SBA Loan with 90% Guarantee (\$927K Guaranteed)
  - 1 unsecured C&I loan (\$1.75 million ACL reserve)

# Current Expected Credit Loss (“CECL”) Implementation



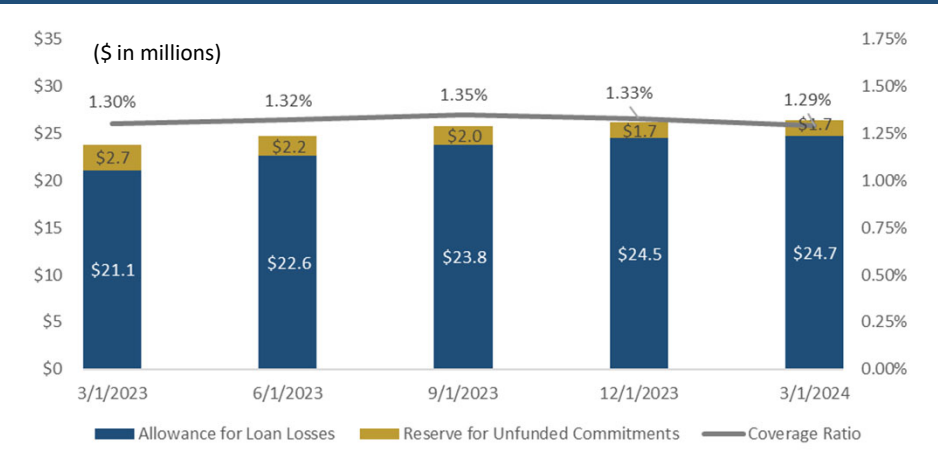
## ACL Roll-Forward

	2Q'23		3Q'23		4Q'23		1Q'24		Mar 31, 2024 CECL
	Mar 31, 2023 CECL	Change in Reserve	Jun 30, 2023 CECL	Change in Reserve	Sep 30, 2023 CECL	Change in Reserve	Dec 31, 2023 CECL	Change in Reserve	
<i>\$ in thousands</i>									
Allowance for loan losses	21,135	1,453	22,588	1,201	23,789	687	24,476	217	24,693
Reserve for unfunded commitments	2,802	(630)	2,172	(203)	1,969	(228)	1,741	(18)	1,723
Total allowance for credit losses	23,937	823	24,760	998	25,758	459	26,217	199	26,416
Total loans held for investment	1,623,028		1,717,705		1,764,846		1,847,161		1,906,992
Allowance for loan losses to loans HFI	1.30%		1.32%		1.35%		1.33%		1.29%

## Quarterly ACL Color

- The decrease in the coverage ratio (the allowance for loan losses as a % of loans HFI) in the 1<sup>st</sup> quarter of 2024 primarily reflects improved economic forecasts.
- The increase in allowance for loan losses in the 1<sup>st</sup> quarter of 2024 primarily reflects new loan production and a \$0.50 million increase in the ACL for an individually evaluated nonaccrual loan, partially offset by improved economic forecasts.
- The decrease in the reserve for unfunded commitments in the 1<sup>st</sup> quarter of 2024 reflects a decrease in commitments and improved economic forecasts.

## Total Allowance for Credit Losses

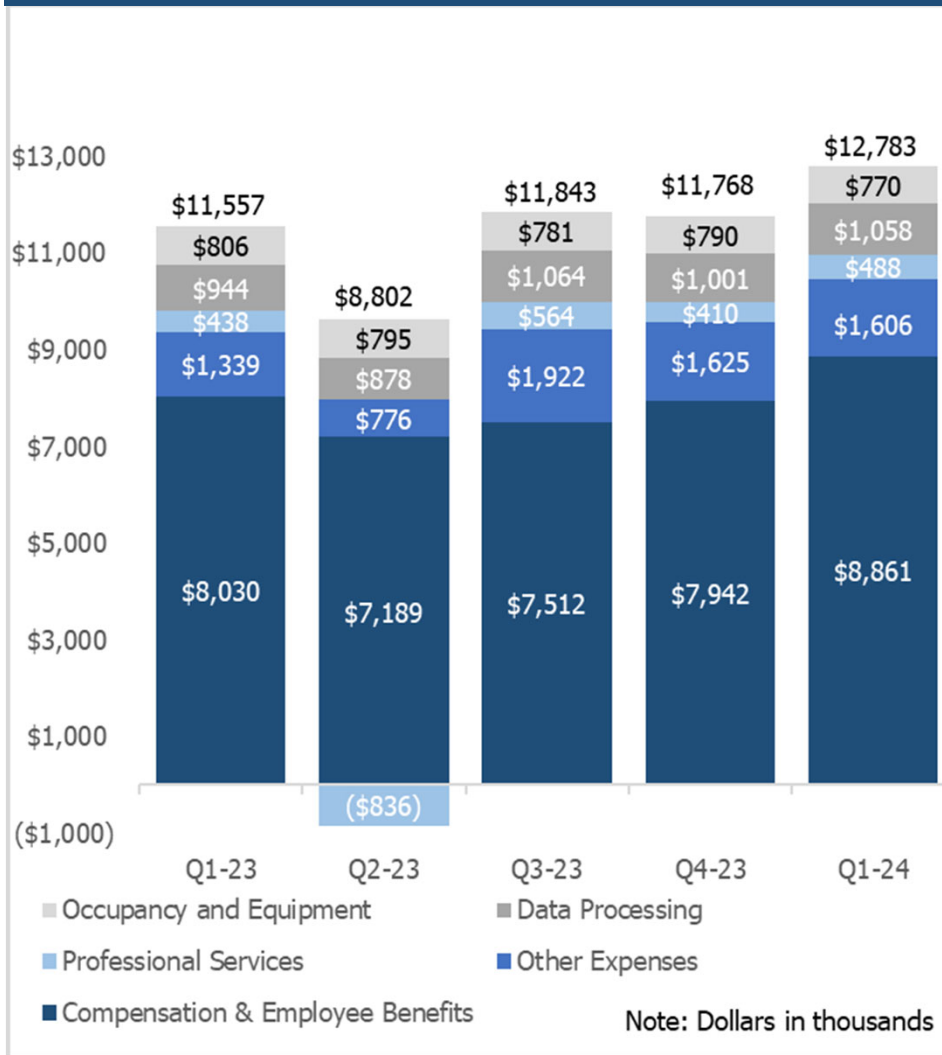


# Expenses and Operational Efficiency



Ongoing focus on improving operating leverage through technology and process improvement initiatives while adding talent and improving capabilities and offerings to our Clients

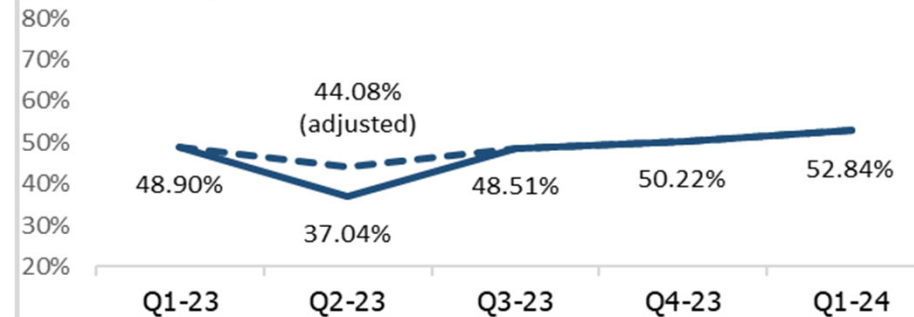
## Non-interest Expenses



## Non-interest Expense Details

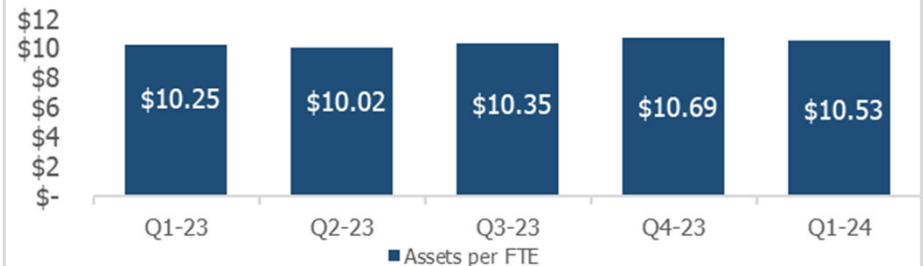
- Compensation and employee benefits increased \$919 thousand compared to the prior quarter driven by seasonal increases to benefits and employer taxes, annual merit increases and adjustments to share-based compensation

## Efficiency Ratio



## Assets per FTE

Note: dollars in millions

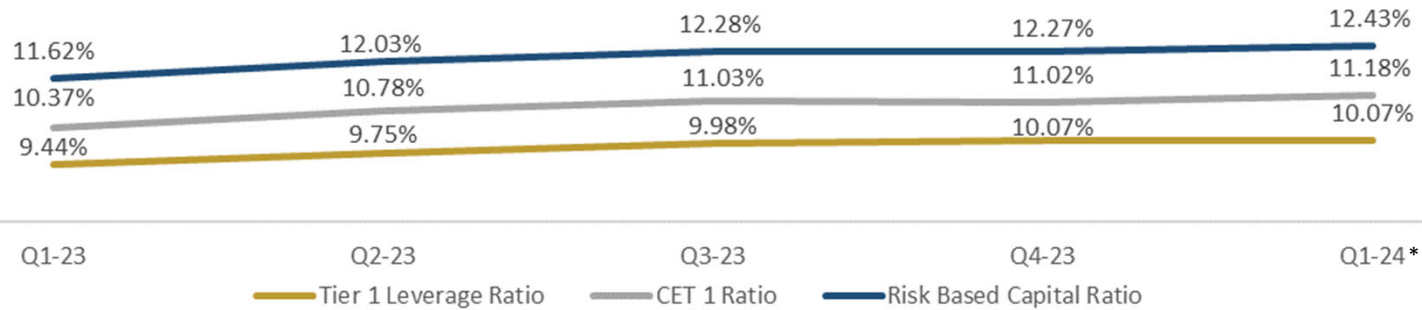


# Strong Capital Position



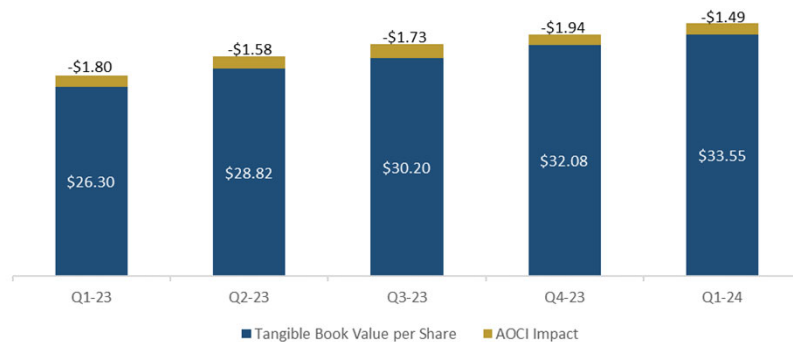
Strong build of capital ratios through 2023 & 2024, even with sustained balance sheet growth and no planned dividends

## Selected CalPrivate Bank Capital Ratios



\*Preliminary

## Tangible Book Value per Share



## Capital Strategy

- Manage capital to achieve strong levels of Return on Equity
- Proven ability to add shareholder value by consistently increasing tangible book value
- Investing in areas with strong returns on capital, including SBA 7a lending and fee income lines of business
- Open to strategic investments that enhance shareholder value
- Tangible common equity ratio 8.77% at 3/31/24

## Distinctly Different Service – 2023 NPS Score



CalPrivate Bank premium service model is a disruptor in the banking sector.

2023 Top Banks and Service Businesses (1)	
<b>82</b>	<b>CalPrivate Bank</b>
69	USAA (top ranked Bank)
65	Ritz Carlton (top ranked Hotel)
53	Alaska Airlines (top ranked Airline)
38	Chase
36	Bank of America
21	Wells Fargo
<b>33</b>	<b>U.S. Banking Industry Average</b>

### CPB client satisfaction over 2x higher than U.S. Banking Industry

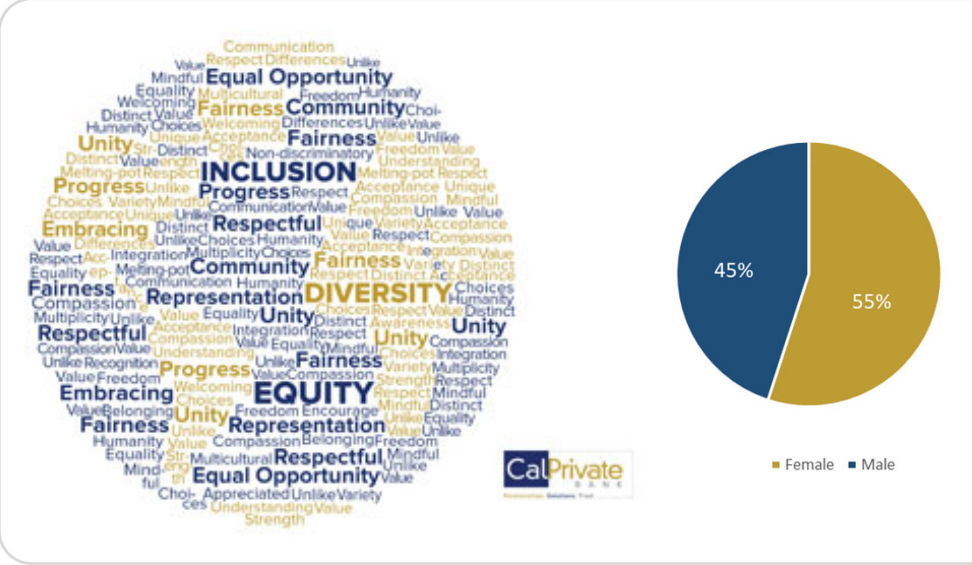
- Exceptional service is our key organic growth driver; word-of-mouth referrals from very satisfied clients.
- NPS Measures client loyalty and likelihood to actively “refer”
- Leads to strong growth and very low deposit attrition rates

(1) Source: Satmetrix Systems Inc. 3/11/21-11/24/23



## Community Support

- An important aspect to our company culture is community engagement
- CalPrivate Bank 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 in a meaningful way
- 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 60% of the workforce consists of members of under-represented communities
- Dedicated DEI Committee with all levels of management and employee engagement

## Technology & Innovation Board Committee

- Added Board level expertise in technology, audit and innovation
- Dedicated focus on 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

- Focus on products & services development to enhance client experience
- Hired new Product Strategy & Innovation team reflecting the Bank's commitment to evolving payments space & digitization
- 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 and accounting systems
- Partnerships with FinTech companies that help create stronger client relationships by creating new way of adding value



# Management Contacts



## **Rick Sowers**

*President & Chief Executive Officer*

o. 424.303.4894

c. 310.569.3635

e. [rsowers@calprivate.bank](mailto:rsowers@calprivate.bank)



## **Cory Stewart**

*EVP & Chief Financial Officer*

c. 206.293.3669

e. [cstewart@calprivate.bank](mailto:cstewart@calprivate.bank)

# Q&A

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(OTCQX: P B A M )

(Holding Company for CalPrivate Bank)

