

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bank Announces Second Quarter 2020 Earnings Results and Support of Nearly 500 Businesses with the CARES Act Paycheck Protection Program**

Salinas, CA – August 5, 2020 – Pacific Valley Bank (OTC Pink: PVBK) announced its unaudited second quarter 2020 Net Income of \$735 thousand or \$0.18 basic earnings per share. This represents an increase of 23% when comparing the prior quarter (\$599 thousand for the three months ended March 31, 2020) and a 9% increase compared to the same period of the prior year (\$674 thousand at June 30, 2019). Net Income for the six months ended June 30, 2020, was \$1.3 million representing an increase of 9% compared with the same period of 2019. Earnings per share for the first six months of 2020 was \$0.33 compared with \$0.31 for the first six months of 2019.

The Bank committed all possible resources to supporting businesses in the community through its participation in the Small Business Administration’s Paycheck Protection Program (PPP). Anker Fanoë, President and CEO, affirmed, “The opportunity to provide stabilizing assistance to local businesses has been both humbling and rewarding for our team.” Carol Corsetti, EVP & Chief Credit Officer, stated, “We funded approximately 500 PPP loans totaling \$87 million which we believe saved approximately 3,000 local jobs.” Mr. Fanoë commented that “Net revenue, attributed to the PPP loans for the three months ended June 30, 2020, was \$250 thousand. The yield, while lower than our other loan assets, is 2.48% for the PPP loan sector.”

“The Bank entered this period of uncertainty in a position of solid strength. The robust asset quality metrics and high levels of capital are important elements to embrace these tentative headwinds,” acknowledged Fanoë. Ms. Corsetti added “At June 30, 2020, the Bank’s non-performing loans remained unchanged from the prior quarter and there were no loans past-due 30 days or more. This is a tribute to our resilient community and strong credit underwriting culture.” She continued, “However, being prudent with the challenges and the unknown future impact of the pandemic, the Bank preemptively posted a \$75 thousand provision expense in both the first and second quarter of 2020 to increase its Allowance for Loan and Lease Losses to \$4.8 million, or 1.85% of outstanding loans excluding PPP loans.” Regulator guidance encourages banks to work with their borrowers impacted by COVID-19. In response the Bank has approved modifications, such as deferred payment, for 30 customers totaling \$32 million, or 9% of loan portfolio. Management continues to assess the borrower’s condition frequently during these economic circumstances.

As of June 30, 2020, total assets were \$424.3 million. Since March 31, 2020, total assets have increased \$90 million or 27%, and \$103 million or 32% since June 30, 2019. The increase is primarily attributable to the PPP loans funded in the second quarter of 2020.

Total gross loans outstanding, excluding PPP loans, were \$258 million as of June 30, 2020. This exceeded gross loan balances at June 30, 2019, by \$15 million representing an increase of 6% year-over-year. Non-PPP loans decreased slightly in the second quarter when compared with the first quarter of 2020 by \$6.6 million. The Bank’s asset quality in 2020 was good with non-accruing

assets accounting for less than 1% of the Bank's total assets at June 30, 2020, and no loans greater than 30 days past-due.

As of June 30, 2020, total deposits were \$385.5 million compared with total deposits of \$296.5 million at March 31, 2020, representing growth of \$89 million, or 30% during the second quarter of 2020, and \$100 million or 35% compared to a year ago. Mr. Fano commented on the Bank's deposit growth, "We attribute the success of deposit growth to our efforts in the PPP program. Approximately 60% of the loans were made to non-PVB customers and our relationship managers have done a great job in expanding the banking relationship through additional products and services with these businesses."

Shareholder Equity was \$37.2 million at June 30, 2020, representing growth of \$2.9 million over a year ago. This increase was the result of strong profitability. The Bank is considered to be well capitalized and its Capital Ratios well exceed regulatory minimums.

Net Interest Income, before the Provision for Loan Losses, was \$3.4 million, \$3.2 million and \$3.0 million for the three months ending June 30, 2020, March 31, 2020, and June 30, 2019, respectively. Year-to-date Net Interest Income was \$6.5 million, an increase of \$623 thousand, or 11%, year-over-year. The Bank's cost of funds decreased when comparing the same period last year resulting in \$346 thousand less in interest expense. The net interest margin in the second quarter of 2020 equated to 3.59% compared with 3.86% last quarter, and 3.95% for the second quarter of 2019. Market rates, primarily Federal Funds Sold and the Prime Rate, dropped 1.50% in March 2020. Management expects the Bank's net interest margin will be negatively impacted the remainder of the year as a result of the lower rate environment and lower yielding PPP loans.

For the three months ended June 30, 2020, Non-Interest Income was \$179 thousand compared with March 31, 2020, at \$157 thousand, and \$149 thousand for the same period of 2019, representing increases of 14% and 20% respectively. Non-Interest Income year-to-date of \$336 thousand increased 20% compared with the same period of 2019.

Operating expenses were \$2.5 million for the first quarter 2020, relatively the same compared with the first quarter of 2020; however, an increase of \$260 thousand, or 8%, over the three months ended June 30, 2019. Non-Interest Expense year-to-date was \$4.8 million representing an increase of \$372 thousand, 8% higher compared with the first six months 2019. Increases in operating expenses year-over-year were primarily in personnel costs associated with funding PPP loans.

**Pacific Valley Bank**  
**Selected Financial Data - Unaudited**  
**\$ in 000, Except Per Share Data**

Assets	June 30, 2020	March 31, 2020	June 30, 2019
Cash and Due From Banks	\$12,180	\$11,785	\$8,385
Interest Bearing Deposits At Other Banks	61,717	50,372	64,509
Investment Securities	0	0	0
Loans Outstanding	345,537	267,256	243,113

Allowance for Loan Losses	(4,825)	(4,750)	(4,587)
Other Assets	9,659	9,474	9,905
<b>Total Assets</b>	<b>\$424,268</b>	<b>\$334,137</b>	<b>\$321,325</b>

<b>Liabilities and Capital</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>June 30, 2019</b>
Non-Interest Bearing Deposits	\$174,643	\$105,392	\$108,397
Interest Bearing Deposits	210,893	191,098	177,040
Borrowings	0	0	0
Other Liabilities	1,520	1,191	1,558
Equity	37,212	36,456	34,330
<b>Total Liabilities and Capital</b>	<b>\$424,268</b>	<b>\$334,137</b>	<b>\$321,325</b>

<b>Key Ratios:</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>June 30, 2019</b>
Net Loan to Deposits	88.37%	88.54%	83.57%
Allowance for loan losses to total loans (1)	1.85%	1.78%	1.89%
Non-performing loans to total loans (1)	0.26%	0.34%	0.43%
Community Bank Leverage Ratio	9.52%	10.52%	10.85%
Book Value	\$9.32	\$9.13	\$8.68

(1) excluding PPP loans

<b>Income Statement, Three Months Ended</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>June 30, 2019</b>
Interest Income	\$3,668	\$3,538	\$3,518
Interest Expense	276	382	507
Net Interest Income	3,392	3,156	3,011
Provision (Benefit) for Loan Losses	75	75	0
Non-Interest Income	179	157	149
Non-Interest Expense	2,461	2,387	2,201
Income Tax	300	252	285
<b>Net Income</b>	<b>\$735</b>	<b>\$599</b>	<b>\$674</b>

<b>Key Ratios:</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>June 30, 2019</b>
Earnings per basic share	\$0.18	\$0.15	\$0.17
Net Interest Margin	3.59%	3.86%	3.95%
Efficiency Ratio	68.92%	72.05%	69.65%
Return on Average Assets, annualized	0.75%	0.69%	0.85%
Return on Average Equity, annualized	7.98%	6.62%	7.93%

<b>Income Statement, Six Months Ended</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Interest Income	\$7,206	\$6,929
Interest Expense	658	1,004
Net Interest Income	6,548	5,925
Provision (Benefit) for Loan Losses	150	0
Non-Interest Income	336	280
Non-Interest Expense	4,848	4,476
Income Tax	552	507
<b>Net Income</b>	<b>\$1,334</b>	<b>\$1,222</b>

Key Ratios:	June 30, 2020	June 30, 2019
Earnings per basic share	\$0.33	\$0.31
Net Interest Margin	3.72%	3.97%
Efficiency Ratio	70.42%	72.14%
Return on Average Assets, annualized	0.68%	0.77%
Return on Average Equity, annualized	7.31%	7.26%

## **ABOUT PACIFIC VALLEY BANK:**

*Pacific Valley Bank is a full service business bank that commenced operations in September 2004 to provide exceptional service to customers in Monterey County. Pacific Valley Bank operates business at three locations; administrative headquarters and branch offices in Salinas, King City and Monterey, California. The Bank offers a broad range of banking products and services, including credit and deposit services to small and medium sized businesses, agriculture related businesses, non-profit organizations, professional service providers and individuals. For more information, visit [www.pacificvalleybank.com](http://www.pacificvalleybank.com).*

*This release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results, performance and/or achievements to differ materially from those projected. Accordingly, readers should not place undue reliance on these forward-looking statements. These risks and uncertainties include, but are not limited to, economic conditions in all areas in which the Bank conducts business, including the competitive environment for attracting loans and deposits; supply and demand for real estate and periodic deterioration in real estate prices and/or values in California or other states where we lend; changes in the financial performance and/or condition of our borrowers, depositors, key vendors or counterparties; changes in our levels of delinquent loans, nonperforming assets, allowance for loan losses and charge-offs; the effect of changes in laws and regulations, including accounting practices; changes in estimates of future reserve requirements and minimum capital requirements based upon periodic review thereof under relevant regulatory and accounting requirements; fluctuations in the interest rate and market environment; cyber-security threats, including the loss of system functionality, theft, loss of customer data or money; technological changes and the expanding use of technology in banking; the costs and effects of legal, compliance and regulatory actions; acts of war or terrorism, or natural disasters; and other factors beyond the Bank's control. These forward-looking statements, which reflect management's views, are as of the date of this release. Pacific Valley Bank has no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.*