

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bank Announces Third Quarter 2020 Earnings Results and Continued Participation in the CARES Act Paycheck Protection Program**

Salinas, CA – September 28, 2020 – Pacific Valley Bank (OTC Pink: PVBK) announced its unaudited third quarter 2020 Net Income of \$979 thousand or \$0.25 basic earnings per share. This represents an increase of 33% when comparing the prior quarter (\$735 thousand for the three months ended June 30, 2020) and a 25% increase compared to the same period of the prior year (\$786 thousand at September 30, 2019). Net Income for the nine months ended September 30, 2020, was \$2.3 million representing an increase of 15% compared with the same period of 2019. Earnings per share for the first nine months of 2020 was \$0.58 compared with \$0.50 for the first nine months of 2019.

Anker Fanoë, President and CEO, commented, “We are once again pleased with our strong quarterly results which saw net income increase by 33% from \$786 thousand in the third quarter of 2019 to \$979 thousand in the same quarter of 2020. Since the onset of the COVID-19 pandemic, we have worked closely with those customers requiring hardship relief, including loan forbearance, waived fees and other accommodations, when appropriate. We were very pleased to see loan balances with COVID-related modifications drop from \$32.2 million at June 30, 2020, to \$18.3 million which equates to 7% of non-PPP loans at September 30, 2020.”

As of September 30, 2020, total assets were \$420.2 million. Since June 30, 2020, total assets have decreased \$4 million or 1%; however, total assets have increased by \$84 million or 23% since September 30, 2019. The increase is primarily attributable to the PPP loans funded in the second quarter of 2020. Mr. Fanoë commented that “earnings over the past two quarters have been greatly supplemented by fee income generated by loans originated under the SBA’s Paycheck Protection Program (PPP), and these earnings are likely to continue over the next several quarters as customers begin applying for loan forgiveness.”

Mr. Fanoë noted that “In addition to fee income, the PPP program has led to new customer relationships and overall deposit balances have remained relatively stable over the past two quarters.” As of September 30, 2020, total deposits were \$380.3 million compared with total deposits of \$385.5 million at June 30, 2020, representing a reduction of \$5.2 million, or 1% during the third quarter of 2020; however, total deposits have increased by \$77 million or 25% compared to a year ago.

Total gross loans outstanding, excluding PPP loans, were \$261 million as of September 30, 2020. This exceeded gross loan balances at September 30, 2019, by \$8 million representing an increase of 3% year-over-year. Non-PPP loans increased slightly in the third quarter when compared with the second quarter of 2020 by \$86 thousand. 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 September 30, 2020, and no loans greater than 30 days past-due.

Shareholder Equity was \$38.2 million at September 30, 2020, representing growth of \$3.1 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 \$3.6 million, \$3.4 million and \$3.1 million for the three months ending September 30, 2020, June 30, 2020, and September 30, 2019, respectively. Year-to-date Net Interest Income was \$10.2 million, an increase of \$1.1 million, or 12%, year-over-year. The Bank's cost of funds decreased when comparing the same period last year resulting in \$679 thousand less in interest expense. The net interest margin in the third quarter of 2020 equated to 3.56% compared with 3.59% last quarter, and 3.78% for the third quarter of 2019. Market rates, primarily Federal Funds Sold and the Prime Rate, dropped 1.50% in March 2020 and remained stable over the past quarter. Management expects that the Bank's net interest margin will continue to 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 September 30, 2020, Non-Interest Income was \$218 thousand compared with June 30, 2020, at \$179 thousand, and \$150 thousand for the same period of 2019, representing increases of 22% and 45%, respectively. Non-Interest Income year-to-date of \$554 thousand increased 29% compared with the same period of 2019.

Operating expenses were \$2.4 million for the third quarter 2020, relatively the same compared with the second quarter of 2020; however, an increase of \$308 thousand, or 14%, over the three months ended September 30, 2019. Non-Interest Expense year-to-date was \$7.3 million representing an increase of \$680 thousand, 10% higher compared with the first nine 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**

<b>Assets</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Cash and Due From Banks	\$10,669	\$12,180	\$10,094
Interest Bearing Deposits At Other Banks	57,624	61,717	72,718
Investment Securities	0	0	0
Loans Outstanding	346,128	345,537	252,347
Allowance for Loan Losses	(4,826)	(4,825)	(4,594)
Other Assets	10,594	9,659	9,780
<b>Total Assets</b>	<b>\$420,189</b>	<b>\$424,268</b>	<b>\$340,345</b>

<b>Liabilities and Capital</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Non-Interest Bearing Deposits	\$176,597	\$174,643	\$106,330
Interest Bearing Deposits	203,752	210,893	197,191
Borrowings	0	0	0
Other Liabilities	1,628	1,520	1,685
Equity	38,212	37,212	35,139
<b>Total Liabilities and Capital</b>	<b>\$420,189</b>	<b>\$424,268</b>	<b>\$340,345</b>

<b>Key Ratios:</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Net Loan to Deposits	89.73%	88.37%	81.63%
Allowance for Loan Losses to Total Loans <sup>(1)</sup>	1.85%	1.85%	1.82%
Non-Performing Loans to Total Loans <sup>(1)</sup>	0.25%	0.26%	0.40%
Community Bank Leverage Ratio	9.11%	9.52%	10.74%
Book Value	\$9.57	\$9.32	\$8.80

<sup>(1)</sup> Excluding PPP Loans

<b>Income Statement, Three Months Ended</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Interest Income	\$3,828	\$3,668	\$3,660
Interest Expense	217	276	550
Net Interest Income	3,611	3,392	3,110
Provision (Benefit) for Loan Losses	0	75	0
Non-Interest Income	218	179	150
Non-Interest Expense	2,443	2,461	2,135
Income Tax	407	300	339
<b>Net Income</b>	<b>\$979</b>	<b>\$735</b>	<b>\$786</b>

<b>Key Ratios</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Earnings per Basic Share	\$0.25	\$0.18	\$0.20
Net Interest Margin	3.56%	3.59%	3.78%
Efficiency Ratio	63.80%	68.92%	65.49%
Return on Average Assets, Annualized	0.93%	0.75%	0.96%
Return on Average Equity, Annualized	10.37%	7.98%	9.25%

<b>Income Statement, Nine Months Ended</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Interest Income	\$11,034	\$10,589
Interest Expense	875	1,554
Net Interest Income	10,159	9,035
Provision (Benefit) for Loan Losses	150	0
Non-Interest Income	554	430
Non-Interest Expense	7,291	6,611
Income Tax	959	846
<b>Net Income</b>	<b>\$2,313</b>	<b>\$2,008</b>

<b>Key Ratios</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Earnings per basic share	\$0.58	\$0.50
Net Interest Margin	3.66%	3.97%
Efficiency Ratio	68.06%	69.85%
Return on Average Assets, Annualized	0.74%	0.82%
Return on Average Equity, Annualized	8.87%	7.86%

**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.*