

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bank Announces Its Second Quarter 2021 Financial Results - EPS up 52% from Prior Year**

Salinas, CA – July 26, 2021 – Pacific Valley Bank (OTC Pink: PVBK) announced its unaudited earnings results for the second quarter 2021. Net income for the three months ended June 30, 2021, was \$1.11 million representing an increase of 68% compared with the same period of 2020. Earnings per share for the second quarter 2021 were \$0.28 compared with \$0.18 for the second quarter 2020.

#### **KEY SECOND QUARTER HIGHLIGHTS:**

- Increased EPS of 52% year over year or an increase of \$0.09 per share.
- Core Loan growth, excluding PPP, remains strong: up \$15.4 million or 5.7% during the second quarter of 2021.
- Cannabis Related Bank Program continues to grow: revenue for second quarter was \$135k compared to \$96k in the first quarter.

As of June 30, 2021, total assets were \$477.2 million. Since March 31, 2021, total assets have increased \$10.40 million or 2.2%, and since June 30, 2020, total assets have increased by \$52.9 million or 12.5%.

Anker Fanoë, President and CEO, commented, “The second quarter results are exciting. The Bank is growing the core loan portfolio while sensibly managing costs. Continued economic recovery provides opportunities for the Bank’s future growth and ability to further serve our community.”

Total gross loans outstanding were \$362.7 million as of June 30, 2021, which includes \$75.1 million in Paycheck Protection Program (PPP) loans. This exceeded gross loan balances at June 30, 2020, by \$17.2 million representing an increase of 5% year-over-year. Since March 31, 2021, the Bank’s core loan portfolio, excluding PPP, increased by \$15.4 million or 5.7%. Under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act, \$31 million, or 0.08% of total loans, were previously restructured and are paying as agreed. Byron Owings, EVP and Chief Credit Officer, stated, “The Bank is pleased to have the opportunity to help so many in the community as it continues to assist PPP customers with the second round of funding and forgiveness of the first round funded in 2020. In addition, the Bank continues to maintain strong credit quality in the core loan portfolio.”

As of June 30, 2021, total deposits were \$433 million compared with total deposits of \$424 million at March 31, 2021, representing an increase of \$8.9 million, or 2.1% during the second quarter of 2021. Total deposits have increased by \$47.7 million or 12.4% compared to a year ago. At the end of the quarter the Bank had 85 cannabis related deposits totaling \$22.4 million. Anker Fanoë, President and CEO, remarked, “As part of our business strategy, we focus on the needs of our

community. In 2020, it became evident we needed to work with our regulators to provide banking services to cannabis related customers. The Bank rolled out the Cannabis Related Banking Program to a limited number of customers in 2020 and has since expanded the program. The customer response has been very positive and the Bank has seen rapid growth in revenues associated with this product line.”

Shareholder Equity was \$41.4 million at June 30, 2021, representing growth of \$4.2 million, or 11.6% over a year ago. The Bank is considered to be well capitalized and its Capital Ratios exceed regulatory minimums.

Net Interest Income was \$4.1 million, \$4.0 million and \$3.4 million for the three months ending June 30, 2021, March 31, 2021, and June 30, 2020, respectively. The Bank’s cost of funds decreased compared to the second quarter of last year resulting in \$139 thousand less in interest expense, primarily due to the low interest rate environment for deposit products. The net interest margin in the first quarter of 2021 equated to 3.65% compared with 3.61% last quarter, and 3.59% for the second quarter of 2021. The Bank has maintained consistent net interest margin over the past several quarters in part due to the Bank’s participation in the PPP Program which allows for short-term forgivable loans with an interest rate of 1.00%. While the origination of PPP loans has applied downward pressure to net interest margin, the PPP loans originated in the first round during 2020 and from the second round in 2021, have had a significant impact on the Bank’s financial statements. During the second quarter of 2021, the Bank recognized \$738 thousand in deferred fees in conjunction with PPP loans of which \$481 thousand from forgiven PPP loans originated during the first two rounds of the program. These PPP loans along with any additional PPP loans that fund through the end of the program will continue to impact the Bank’s profitability going forward.

For the three months ended June 30, 2021, Non-Interest Income was \$285 thousand compared with March 31, 2021 of \$237 thousand, and \$179 thousand for the same period of 2020, representing increases of 20% and 59%, respectively.

Operating expenses were \$2.77 million for the second quarter 2021, an increase of \$167 thousand, or 6.4% compared with the first quarter of 2021, and an increase of \$308 thousand, or 12.5%, over the three months ended June 30, 2020. Charlotte Radmilovic, EVP and CFO commented, “Operating expense increases have occurred at a lower rate than income as management makes prudent decisions to grow efficiently. Net interest income has increased by 20% from this same period of 2020, while operating expenses have increased by 12.5%.”

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

Assets	June 30, 2021	March 31, 2021	June 30, 2020
Cash and Due From Banks	\$14,576	\$14,694	\$12,180
Interest Bearing Deposits At Other Banks	92,860	70,850	61,717
Investment Securities	0	0	0
Loans Outstanding	362,748	375,280	345,537

Allowance for Loan Losses	(5,126)	(5,126)	(4,825)
Other Assets	12,174	11,136	9,659
<b>Total Assets</b>	<b>\$477,232</b>	<b>\$466,834</b>	<b>\$424,268</b>

<b>Liabilities and Capital</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Non-Interest Bearing Deposits	\$212,644	\$182,159	\$174,643
Interest Bearing Deposits	220,587	241,897	210,893
Borrowings	0	0	0
Other Liabilities	2,554	2,465	1,520
Equity	41,447	40,313	37,212
<b>Total Liabilities and Capital</b>	<b>\$477,232</b>	<b>\$466,834</b>	<b>\$424,268</b>

<b>Key Ratios:</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Net Loan to Deposits	82.55%	87.29%	88.37%
Allowance for loan losses to total loans <sup>(1)</sup>	1.78%	1.90%	1.85%
Non-performing loans to total loans <sup>(1)</sup>	0.29%	0.32%	0.36%
Community Bank Leverage Ratio	8.88%	8.83%	9.52%
Book Value	\$10.38	\$10.11	\$9.32

(1) excluding PPP loans

<b>Income Statement, Three Months Ended</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Interest Income	\$4,198	\$4,131	\$3,668
Interest Expense	137	166	276
Net Interest Income	4,061	3,965	3,392
Provision (Benefit) for Loan Losses	0	0	75
Non-Interest Income	285	237	179
Non-Interest Expense	2,769	2,602	2,461
Income Tax	464	470	300
<b>Net Income</b>	<b>\$1,113</b>	<b>\$1,130</b>	<b>\$735</b>

<b>Key Ratios:</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Earnings per basic share	\$0.28	\$0.28	\$0.18
Net Interest Margin	3.65%	3.61%	3.59%
Efficiency Ratio	63.71%	61.92%	68.92%
Return on Average Assets, annualized	0.95%	0.99%	0.75%
Return on Average Equity, annualized	10.86%	11.35%	7.98%

<b>Income Statement, Six Months Ended</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Interest Income	\$8,329	\$7,206
Interest Expense	303	658
Net Interest Income	8,026	6,548
Provision (Benefit) for Loan Losses	0	150
Non-Interest Income	522	336
Non-Interest Expense	5,371	4,848
Income Tax	934	552
<b>Net Income</b>	<b>\$2,243</b>	<b>\$1,334</b>

<b>Key Ratios:</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
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Earnings per basic share	\$0.56	\$0.33
Net Interest Margin	3.63%	3.72%
Efficiency Ratio	62.83%	70.42%
Return on Average Assets, annualized	0.96%	0.68%
Return on Average Equity, annualized	11.10%	7.31%

## **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.*