

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bank Announces Its Third Quarter 2021 Financial Results**

Salinas, CA – October 27, 2021 – Pacific Valley Bank (OTC Pink: PVBK) announced its unaudited earnings results for the third quarter 2021. Net income for the nine months ended September 30, 2021, was \$3.08 million representing an increase of 33% or \$763 thousand over the same period in 2020. For the three months ended September 30, 2021, net income was \$833 thousand. Earnings per share for the third quarter 2021 were \$0.21.

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

- Core Loan growth, excluding PPP, remains strong: up \$25.6 million or 9.0% during the third quarter of 2021.
- Cannabis Related Bank Program continues to grow: revenue for third quarter was \$162k compared to \$135k in the second quarter.
- Basic earnings per share of \$0.77 for the nine months ended September 30, 2021, compared to \$0.58 for the same period in 2020.

As of September 30, 2021, total assets were \$473.4 million. Since June 30, 2021, total assets have decreased \$3.8 million or 0.8%, and since September 30, 2020, total assets have increased by \$53.2 million or 12.7%.

Anker Fanoë, President and CEO, commented, “The third quarter results show sustained growth. With the first round of PPP loans almost all forgiven, the Bank is focusing on core loan growth while maintaining the strong credit quality of the portfolio.”

Total gross loans outstanding were \$371.6 million as of September 30, 2021, which includes \$61.0 million in Paycheck Protection Program (PPP) loans. This exceeded gross loan balances at September 30, 2020, by \$25.5 million representing an increase of 7.4% year-over-year. Since June 30, 2021, the Bank’s core loan portfolio, excluding PPP, increased by \$25.6 million or 9.0%. 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. Sandi Eason, EVP and Chief Operating Officer, stated, “By participating in PPP, the Bank has the unique opportunity to expand new customer relationships and support the growth of businesses in our community.”

As of September 30, 2021, total deposits were \$428 million compared with total deposits of \$433 million at June 30, 2021, representing a decrease of \$4.9 million, or 1.1% during the third quarter of 2021. Total deposits have increased by \$47.9 million or 12.6% compared to a year ago. At the end of the quarter the Bank had 100 cannabis related deposits totaling \$17.3 million.

Shareholder Equity was \$42.3 million at September 30, 2021, representing growth of \$4.1 million, or 10.7% over a year ago. The Bank is considered to be well capitalized and its Capital Ratios exceed regulatory minimums.

Net Interest Income was \$4.0 million, \$4.1 million and \$3.6 million for the three months ending September 30, 2021, June 30, 2021, and September 30, 2020, respectively. The Bank's cost of funds decreased compared to the third quarter of last year resulting in \$90 thousand less in interest expense, primarily due to the low interest rate environment for deposit products. The net interest margin in the third quarter of 2021 equated to 3.59% compared with 3.65% last quarter, and 3.56% for the third 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 allowed 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 the second round in 2021 have had a significant impact on the Bank's financial statements. During the third quarter of 2021, the Bank recognized \$507 thousand in deferred fees in conjunction with PPP loans, of which \$192 thousand was realized from forgiven PPP loans originated during the first two rounds of the program. These PPP loans will continue to impact the Bank's profitability going forward.

For the three months ended September 30, 2021, the Provision for Loan Losses was \$139 thousand compared with zero provision expense for the quarter ending June 30, 2021. The increased Provision is directly correlated to the Bank's core loan portfolio growth.

For the three months ended September 30, 2021, Non-Interest Income was \$331 thousand compared with \$285 thousand as of June 30, 2021, and \$218 thousand for the same period of 2020, representing increases of 16% and 52%, respectively.

Operating expenses were \$2.9 million for the third quarter 2021, an increase of \$132 thousand, or 4.8% compared with the second quarter of 2021, and an increase of \$458 thousand, or 18.7%, over the three months ended September 30, 2020.

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Cash and Due From Banks	\$16,605	\$14,576	\$10,669
Interest Bearing Deposits At Other Banks	78,673	92,860	57,624
Investment Securities	0	0	0
Loans Outstanding	371,623	362,748	346,128
Allowance for Loan Losses	(5,265)	(5,126)	(4,826)
Other Assets	11,748	12,174	10,594
<b>Total Assets</b>	<b>\$473,384</b>	<b>\$477,232</b>	<b>\$420,189</b>
<b>Liabilities and Capital</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Non-Interest Bearing Deposits	\$212,015	\$212,644	\$176,597
Interest Bearing Deposits	216,260	220,587	203,752
Borrowings	0	0	0

Other Liabilities	2,809	2,554	1,627
Equity	42,300	41,447	38,212
<b>Total Liabilities and Capital</b>	<b>\$473,384</b>	<b>\$477,232</b>	<b>\$420,188</b>

<b>Key Ratios:</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Net Loan to Deposits	85.54%	82.55%	89.73%
Allowance for loan losses to total loans (1)	1.78%	1.78%	1.85%
Non-performing loans to total loans (1)	0.29%	0.29%	0.35%
Community Bank Leverage Ratio	9.06%	8.88%	9.11%
Book Value	\$10.60	\$10.38	\$9.57

(1) excluding PPP loans

<b>Income Statement, Three Months Ended</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Interest Income	\$4,077	\$4,198	\$3,828
Interest Expense	127	137	217
Net Interest Income	3,950	4,061	3,611
Provision (Benefit) for Loan Losses	139	0	0
Non-Interest Income	331	285	218
Non-Interest Expense	2,901	2,769	2,443
Income Tax	408	464	407
<b>Net Income</b>	<b>\$833</b>	<b>\$1,113</b>	<b>\$979</b>

<b>Key Ratios:</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Earnings per basic share	\$0.21	\$0.28	\$0.25
Net Interest Margin	3.59%	3.65%	3.56%
Efficiency Ratio	67.76%	63.71%	63.80%
Return on Average Assets, annualized	0.71%	0.95%	0.93%
Return on Average Equity, annualized	8.13%	10.86%	10.37%

<b>Income Statement, Nine Months Ended</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Interest Income	\$12,406	\$11,034
Interest Expense	430	875
Net Interest Income	11,976	10,159
Provision (Benefit) for Loan Losses	139	150
Non-Interest Income	853	554
Non-Interest Expense	8,272	7,291
Income Tax	1,342	959
<b>Net Income</b>	<b>\$3,076</b>	<b>\$2,313</b>

<b>Key Ratios:</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Earnings per basic share	\$0.77	\$0.58
Net Interest Margin	3.56%	3.66%
Efficiency Ratio	64.48%	68.06%
Return on Average Assets, annualized	0.88%	0.74%
Return on Average Equity, annualized	10.15%	8.87%

## FORMATION OF BANK HOLDING COMPANY

We are in the process of forming a bank holding company to be called Pacific Valley Bancorp, and upon completion of the formation, the Bank's shareholders will become shareholders of the

new holding company essentially in the same proportion as each shareholder's interest in the Bank. We have approved and entered into a Plan of Reorganization and Merger Agreement dated August 10, 2021, we have filed all of the necessary regulatory applications, we have received approval from the Federal Reserve Bank and a permit from the Division of Corporations of the California Department of Financial Protection & Innovation (the "Department"), and we expect to receive approvals from the the FDIC and the Division of Financial Institutions of the Department shortly.

We will be sending to our shareholders within the next few days a Written Consent Statement that will request approval from our shareholders of the proposal to form the holding company. We are hopeful our shareholders will approve the proposal shortly after receipt of the Written Consent Statement so we may complete the formation of the bank holding company as soon as possible thereafter. We expect to use the new holding company to assist the Bank in the raising of capital for the Bank, for any potential acquisitions, and for other projects and transactions.

#### **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.*