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Pacific Valley Bancorp Announces Its First Quarter 2023 Financial Results

Salinas, CA – May 1, 2023 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited earnings results for the first quarter 2023. Net income for the quarter ended March 31, 2023, was \$1.3 million, representing an increase of 12% or \$135 thousand over the first quarter ended March 31, 2022. Excluding income generated from loans in the Paycheck Protection Program (“PPP”), core net income in the first quarter of 2023 increased by \$819 thousand or 180% compared to the 2022 first quarter core earnings.

FIRST QUARTER HIGHLIGHTS:

- Net income for the quarter ended March 31, 2023, was \$1.3 million representing a 12% or \$135 thousand increase from the first quarter ended March 31, 2022, or an increase of core earnings of \$819 thousand or 180%.
- The net interest margin (“NIM”) for the first quarter 2023 equated to 3.71% compared with 3.55% core NIM (excluding PPP) for the same period of 2022 or total NIM of 4.54%.
- Basic earnings per share of \$0.29 for the three months ended March 31, 2023, compared to \$0.28 for the same period in 2022. Additional shares were issued in January 2023 when PVBK distributed a 10% stock dividend. Although there was an increase in income, EPS was reduced due to an increase in the number of shares.
- Core Loans, excluding PPP, grew by 16.2% or \$56.4 million from March 31, 2022 to March 31, 2023.
- The Bank subsidiary recently received the highest “Super Premier” rating for financial performance from the Findley Reports and has maintained a “5 Star - Superior” rating from Bauer Financial as of December 31, 2022.
- The Bank subsidiary’s community bank leverage ratio has been consistently strong. As of March 31, 2023 the ratio was 12.42%, compared to 12.69% at December 31, 2022, and 12.57% at March 31, 2022.

“The Company continues to experience sustained income and asset growth in 2023. In addition to core net income more than doubling over the first quarter of the prior year, both loans and deposits experienced healthy gains of 7% and 8%, respectively. The Bank is committed to maintaining a high level of liquidity and continuing conservative lending and investment practices to be able to serve the community for years to come,” said Anker Fanoë, President and CEO.

As of March 31, 2023, total assets were \$518.5 million. Since March 31, 2022, total assets have increased \$36.2 million or 7.5%, and since December 31, 2022, total assets have decreased by \$40.5 million or 7.2%, primarily related to a decrease in cash balances as a result of the seasonal

reduction in agricultural deposits. The Company experiences normal seasonality in agricultural deposits with an increase in December and a subsequent decrease in January.

“Our liquidity position remains very strong. As of March 31, 2023, on-balance sheet liquidity totaled \$107.7 million. In addition to on-balance sheet liquidity, the Bank has access to ample contingent liquidity, including borrowing capacity with Federal Home Loan Bank and correspondent banks, which exceeds \$240 million. Our combined on-balance sheet liquidity and contingent liquidity exceed our estimated uninsured deposits by more than one and a half times,” said Charlotte Radmilovic, Executive Vice President and CFO.

The Bank subsidiary has a primary liquidity ratio of 19.3% as of March 31, 2023 compared to 18.8% for the same period in prior year. The primary liquidity ratio consists of cash and equivalents, deposits held in other banks, and unpledged available-for-sale (“AFS”) securities as a percentage of total assets. In addition to primary liquidity, the Bank subsidiary has a contingency liquidity ratio of 47.6% as of March 31, 2023 compared to 29.2% for the same period in prior year. The contingency liquidity ratio consists primarily of borrowing capacity and liquidation of certain assets as a percentage of total assets.

The investment securities portfolio totaled \$27.6 million as of March 31, 2023, \$27.7 million as of December 31, 2022, and \$10.4 million as of March 31, 2022; the unrealized losses in the portfolio were \$1.0 million, \$1.4 million, and \$0.5 million for the comparable periods respectively. The overall securities portfolio made up 5.3% of total assets and the unrealized loss was less than 4% of the investment portfolio as of March 31, 2023.

Total gross loans outstanding were \$406.3 million as of March 31, 2023. Core Loans, excluding PPP, grew by 16.2% or \$56.4 million from March 31, 2022 to March 31, 2023. In the first quarter, since December 31, 2022, the Company’s core loan portfolio remained relatively constant, decreasing by approximately \$2.9 million.

On January 1, 2023, the Company adopted Current Expected Credit Loss (“CECL”) methodology. Allowance for Credit Losses increased \$1.4 million under CECL, which is based on estimating loss for the life of the loans in the portfolio. As a result, retained earnings was reduced by \$1.4 million upon adoption. Allowance for Loan Losses is 1.85% of total loans, as of March 31, 2023. Credit quality remains very strong; non-performing loans to total loans as of March 31, 2023 was 0.25%, compared to 0.07% as of March 31, 2022. The Bank had no other real estate owned as of March 31, 2023.

As of March 31, 2023, total deposits were \$451.8 million. Total deposits have increased by \$32.9 million or 7.9% compared to prior year. Total deposits are down from prior quarter by \$40.7 million or 8.3%, due to normal seasonality in agricultural deposits experienced by the Company. The Company’s agricultural depositors increase deposit balances in December and subsequently decrease these balance in January. As of March 31, 2023, total deposits have increased by approximately \$3 million since the closure of Silicon Valley Bank on March 10, 2023. The Bank maintains a diversified deposit base with no significant industry concentrations and does not

engage in cryptocurrency transactions or service cryptocurrency related companies. The Bank does not have any brokered deposits.

Shareholder Equity was \$47.6 million at March 31, 2023, representing growth of \$3.7 million, or 8.5% over a year ago, directly attributable to increased retained earnings. For the Company's subsidiary, Pacific Valley Bank, equity increased to \$63.5 million at March 31, 2023 compared to \$59.2 million at March 31, 2022. Equity for both the Bank and the Company was reduced by \$1.4 million due to the adoption of CECL in the first quarter of 2023. The Bank is considered to be well capitalized with a Community Bank Leverage Ratio of 12.42%, well above regulatory minimums.

Net Interest Income was \$4.5 million for the quarter ended March 31, 2023 compared to \$4.8 million for the quarter ended March 31, 2022. Net interest income in the first quarter of 2022 benefited from PPP interest and fees of \$1.1 million, as such core net interest income for the prior year period was \$3.9 million; when compared to the first quarter of 2023, the Company had an increase in core net interest income of \$765 thousand or 20%. Net interest margin for the first quarter of 2023 equated to 3.71% compared with 4.54% for the same period in 2022. The decline was related to PPP income earned in 2022 and not repeated in 2023. Core net interest margin (excluding PPP interest and fees) was 3.71% and 3.55% for the first quarters of 2023 and 2022, respectively. Total cost of funding sources increased to 1.18% for the first quarter of 2023, compared to 0.69% in the prior quarter, and 0.13% for the same quarter in the prior year. Overall funding costs for the Company have increased based upon Federal Reserve interest rate policy.

For the quarter ended March 31, 2023, Non-Interest Income was \$368 thousand compared with \$314 thousand for 2022, representing an increase of 17.2%, primarily related to service charges on deposit accounts. Operating expenses were \$3.1 million for the first quarter of 2023, a decrease of \$169 thousand, or 12.2% compared to the prior year quarter.

Net income for the quarter ended March 31, 2023, was \$1.3 million representing an increase of 12% or \$135 thousand over the quarter ended March 31, 2022. Excluding income generated from loans in the Paycheck Protection Program ("PPP"), core net income in the first quarter of 2023 increased by \$819 thousand or 180% compared to the 2022 first quarter core earnings. Earnings per share for the quarter were \$0.29 compared with \$0.28 for the first quarter of 2022. In January 2023, PVBK distributed a 10% stock dividend. The increase in income is offset an increase in the number of shares.

Pacific Valley Bancorp
Selected Financial Data - Unaudited
\$ in thousands, Except Per Share Data

Assets	Mar 31, 2023 Pacific Valley Bancorp	Dec 31, 2022 Pacific Valley Bancorp	Mar 31, 2022 Pacific Valley Bancorp
Cash and Due From Banks	\$80,080	\$115,394	\$86,497
Investment Securities	27,579	27,651	10,396
Loans Outstanding	406,337	409,322	379,732
Allowance for Loan Losses	(7,512)	(6,141)	(5,726)
Other Assets	12,045	12,804	11,385
Total Assets	\$518,529	\$559,030	\$482,284

Liabilities and Capital	Mar 31, 2023 Pacific Valley Bancorp	Dec 31, 2022 Pacific Valley Bancorp	Mar 31, 2022 Pacific Valley Bancorp
Non-Interest Bearing Deposits	\$194,815	\$252,802	\$202,631
Interest Bearing Deposits	256,963	239,694	216,241
Borrowings	16,789	16,775	17,000
Other Liabilities	2,347	2,361	2,512
Equity	47,615	47,398	43,900
Total Liabilities and Capital	\$518,529	\$559,030	\$482,284

Key Ratios:	Mar 31, 2023 Pacific Valley Bancorp	Dec 31, 2022 Pacific Valley Bancorp	Mar 31, 2022 Pacific Valley Bancorp
Net Loan to Deposits	88.28%	81.86%	89.29%
Allowance for loan losses to total loans ⁽¹⁾	1.86%	1.51%	1.65%
Non-performing loans to total loans ⁽¹⁾	0.25%	0.05%	0.07%
Equity Leverage Ratio	9.16%	9.65%	9.24%
Book Value	\$10.66	\$11.68	\$10.90

⁽¹⁾ excluding PPP loans

Income Statement, Three Months Ended	Mar 31, 2023 Pacific Valley Bancorp	Dec 31, 2022 Pacific Valley Bancorp	Mar 31, 2022 Pacific Valley Bancorp
Interest Income	\$5,936	\$5,650	\$4,985
Interest Expense	1,387	783	144
Net Interest Income	4,549	4,867	4,841
Provision (Benefit) for Loan Losses	0	197	177
Non-Interest Income	368	403	314
Non-Interest Expense	3,119	3,333	3,288
Income Tax	524	502	551
Net Income	\$1,274	\$1,238	\$1,139

Key Ratios, Three Months Ended:	Mar 31, 2023 Pacific Valley Bancorp	Dec 31, 2022 Pacific Valley Bancorp	Mar 31, 2022 Pacific Valley Bancorp
Earnings per basic share	\$0.29	\$0.31	\$0.28
Net Interest Margin, annualized	3.97%	3.69%	4.54%
Quarter Efficiency Ratio	63.43%	63.24%	63.78%
Return on Average Assets, annualized	0.98%	1.01%	0.96%
Return on Average Equity, annualized	10.47%	10.60%	10.36%

ABOUT PACIFIC VALLEY BANCORP:

Pacific Valley Bancorp completed its formation and reorganization as a bank holding company for Pacific Valley Bank on January 4, 2022. The Company is a registered bank holding company with the Federal Reserve Bank, but it has not registered its securities under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and it therefore does not file periodic reports with the Securities and Exchange Commission.

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.

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 Company 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 Company's control. These forward-looking statements, which reflect management's views, are as of the date of this release. Pacific Valley Bancorp has no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.