

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bancorp Announces Second Quarter 2023 Financial Results**

Salinas, CA – July 31, 2023 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited financial results for the second quarter 2023. Net income for the quarter ended June 30, 2023, was \$1.1 million representing a decrease of 25.7% or \$397 thousand from the quarter ended June 30, 2022. Excluding income generated from loans in the Paycheck Protection Program (PPP), core net income in the second quarter of 2023 increased by \$306 thousand or 36.6% compared to second quarter 2022 core earnings

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

- Net income for the quarter ended June 30, 2023, was \$1.1 million representing a decrease of 9.9% or \$126 thousand from the quarter ended March 31, 2023. The decrease was primarily the result of higher deposit interest expense. Basic earnings per share for the quarter were \$0.26 compared to \$0.29 per share for the prior quarter.
- Year to date net income as of June 30, 2023 was \$2.4 million representing a decrease of 9.8% or \$263 thousand from the six months ended June 30, 2022. Excluding PPP fees and interest income of \$1.9 million in the prior year, net income in the first six months of 2023 increased by \$1.1 million or 85.7% over the prior year period.
- The net interest margin for the second quarter 2023 equated to 3.45% compared with 4.19% for the same period in 2022. Net interest margin without PPP interest and fees was 3.45% and 3.49% for the second quarters of 2023 and 2022, respectively.
- Gross Core Loans, excluding PPP, grew by 8.9% or \$33.4 million from June 30, 2022 to June 30, 2023, primarily as a result of increased CRE loans.
- Non-Performing loans to gross loans for the quarter ended June 30, 2023, was 0.24% compared to 0.06% as of June 30, 2022.
- The Bank subsidiary's community bank leverage ratio has been consistently strong. As of June 30, 2023 the ratio was 12.60%, compared to 12.42% at March 31, 2023, and 12.44% at June 30, 2022.

“The Company continues to maintain consistent organic income and asset growth in 2023 despite the pressure that rising deposit interest expense has placed on our margins. Core loans and total deposits have grown 9% and 8% over the prior year, respectively. While the cost of funds for the second quarter increased to 1.60% compared to 0.31% in the prior year quarter, we have maintained cost controls and reduced non-interest expense to average assets from 2.56% to 2.37% over the same period. In the face of challenges ahead with the uncertain economic environment, I am excited about the Company's prospects in 2023. The Bank is committed to maintaining a high level of liquidity and conservative lending and investment policies to be able to serve the community for years to come,” said Anker Fanoë, President and CEO.

"Our liquidity position remains very strong, as our primary liquidity ratio (cash and equivalents, deposits held in other banks and unpledged available-for-sale (AFS) securities as a percentage of total assets) was 22.7% at June 30, 2023 compared to 22.4% at June 30, 2022. As of June 30, 2023, on-balance sheet liquidity totaled \$122.5 million. Contingent liquidity, which includes borrowing capacity with the Federal Home Loan Bank, correspondent banks and brokered deposits, exceeds \$240 million. Our combined on-balance sheet liquidity and contingent liquidity exceed our uninsured deposits by more than one and a half times", said Steve Leen, Executive Vice President and CFO.

As of June 30, 2023, total assets were \$539.9 million. Since June 30, 2022, total assets have increased \$36.9 million or 7.3%, and since March 31, 2023, total assets have increased by \$21.3 million or 4.1%.

The investment securities portfolio totaled \$26.9 million as of June 30, 2023, \$27.6 million as of March 31, 2023, and \$26.2 million as of June 30, 2022; the unrealized losses in the portfolio were \$1.4 million, \$1.0 million, and \$0.6 million for the comparable periods, respectively. The overall securities portfolio made up 5.0% of total assets and the unrealized loss was 5.1% of the investment portfolio as of June 30, 2023.

Total gross loans outstanding were \$410.7 million as of June 30, 2023. Core Loans, excluding PPP grew by 8.1% or \$30.7 million from June 30, 2022 to June 30, 2023. In the second quarter, since March 31, 2023, the Company's core loan portfolio, excluding PPP, increased by \$4.3 million or 1.1%.

As of June 30, 2023, total deposits were \$472.2 million. Total deposits have increased by \$34.5 million or 7.9% compared to prior year. The increase resulted from higher certificates of deposit and money market accounts, partially offset by lower checking accounts.

Shareholder Equity was \$48.5 million at June 30, 2023, representing growth of \$3.1 million, or 6.8% over a year ago, directly attributable to increased retained earnings. For the Company's subsidiary, Pacific Valley Bank, equity increased to \$64.6 million at June 30, 2023 compared to \$63.5 million at March 31, 2023. Equity for both the Bank and the Company was reduced by \$1.4 million reflecting an increase in the allowance for loan losses 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 12.60%, well above regulatory minimums.

Net Interest Income was \$4.3 million for the quarter ended June 30, 2023 compared to \$4.9 million for the quarter ended June 30, 2022. Net interest income in the second quarter of 2022 benefited from PPP interest and fees of \$982 thousand. Net interest margin for the second quarter of 2023 equated to 3.45% compared with 4.19% for the same period in 2022. Net interest margin without PPP interest and fees was 3.45% and 3.49% for the second quarters of 2023 and 2022, respectively.

No provision for loan losses was recorded in the second quarter of 2023 or the second quarter of 2022. The lack of provision in 2023 was directly related to the Company's loan portfolio quality. Allowance for Loan Losses is 1.83% of gross loans, excluding PPP, as of June 30, 2023. Credit quality remains very strong; non-performing loans to gross loans as of June 30, 2023 was 0.24% compared to 0.06% as of June 30, 2022.

For the quarter ended June 30, 2023, Non-Interest Income was \$399 thousand compared with \$366 thousand for 2022, representing an increase of 9.0%, primarily related to the sale of a company vehicle.

Operating expenses were \$3.1 million for the second quarter of 2023, a decrease of \$32 thousand, or 1.0%, compared to the quarter ended March 31, 2023, primarily related to a reduction in incentive compensation expense partially offset by higher professional services expense.

Return on average assets was 0.88% and 0.93% for the three months and six months ended June 30, 2023, versus 1.26% and 1.11% for the comparable periods of the prior year. Excluding PPP income, prior year return on assets would have been 0.72% and 0.56% for the three months and six months ended June 30, 2022, respectively.

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

Assets	June 30, 2023 Pacific Valley Bancorp	March 31, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Cash and Due From Banks	\$98,348	\$80,080	\$93,386
Investment Securities	26,862	27,579	26,228
Gross Loans Outstanding	410,668	406,337	380,011
Allowance for Loan Losses	(7,512)	(7,512)	(5,726)
Other Assets	11,498	12,045	9,050
<b>Total Assets</b>	<b><u>\$539,864</u></b>	<b><u>\$518,529</u></b>	<b><u>\$502,949</u></b>

Liabilities and Capital	June 30, 2023 Pacific Valley Bancorp	March 31, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Non-Interest Bearing Deposits	\$274,455	\$194,365	\$214,675
Interest Bearing Deposits	197,780	257,413	223,044
Borrowings	16,802	16,789	16,749
Other Liabilities	2,300	2,347	3,035
Equity	48,527	47,615	45,446
<b>Total Liabilities and Capital</b>	<b><u>\$539,864</u></b>	<b><u>\$518,529</u></b>	<b><u>\$502,949</u></b>

Key Ratios:	June 30, 2023 Pacific Valley Bancorp	March 31, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Net Loan to Deposits	85.37%	88.28%	85.51%
Allowance for loan losses to gross loans <sup>(1)</sup>	1.84%	1.86%	1.53%
Non-performing loans to gross loans <sup>(1)</sup>	0.24%	0.25%	0.06%
Equity Leverage Ratio	9.32%	9.16%	9.40%
Book Value	\$10.89	\$10.66	\$11.28

(1) excluding PPP loans

Income Statement, Three Months Ended	June 30, 2023 Pacific Valley Bancorp	March 31, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Interest Income	\$6,193	\$5,936	\$5,265
Interest Expense	1,881	1,387	342
Net Interest Income	<u>4,312</u>	<u>4,549</u>	<u>4,923</u>
Provision (Benefit) for Loan Losses	0	0	0
Non-Interest Income	399	368	366
Non-Interest Expense	3,087	3,119	3,153
Income Tax	476	524	591
<b>Net Income</b>	<b><u>\$1,148</u></b>	<b><u>\$1,274</u></b>	<b><u>\$1,545</u></b>

Key Ratios, Three Months Ended:	June 30, 2023 Pacific Valley Bancorp	March 31, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Earnings per basic share	\$0.26	\$0.29	\$0.38
Net Interest Margin, annualized	3.45%	3.67%	4.19%
Net Interest Margin, excluding PPP income	3.45%	3.68%	3.49%
Quarter Efficiency Ratio	65.53%	63.43%	59.61%
Return on Average Assets, annualized	0.88%	0.98%	1.26%
Return on Average Equity, annualized	9.52%	10.47%	13.79%

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

Income Statement, Six Months Ended	June 30, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Interest Income	\$12,129	\$10,250
Interest Expense	3,268	486
Net Interest Income	<u>8,861</u>	<u>9,764</u>
Provision (Benefit) for Loan Losses	0	177
Non-Interest Income	767	680
Non-Interest Expense	6,206	6,441
Income Tax	<u>1,000</u>	<u>1,142</u>
<b>Net Income</b>	<b><u>\$2,422</u></b>	<b><u>\$2,685</u></b>

Key Ratios, Six Months Ended	June 30, 2023 Pacific Valley Bancorp	June 30, 2022 Pacific Valley Bancorp
Earnings per basic share	\$0.54	\$0.67
Net Interest Margin, annualized	3.54%	4.24%
Net Interest Margin, excluding PPP income	3.55%	3.60%
Efficiency Ratio	64.46%	61.67%
Return on Average Assets	0.93%	1.11%
Return on Average Equity	10.00%	12.09%

**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](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 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.*