

## **FOR IMMEDIATE RELEASE**

### **Contact**

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

Salinas, CA – October 23, 2023 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited financial results for the third quarter 2023. Net income for the quarter ended September 30, 2023, was \$1.3 million representing an increase of 2.2% or \$27 thousand from the quarter ended September 30, 2022.

#### **THIRD QUARTER HIGHLIGHTS:**

- Net income for the quarter ended September 30, 2023, was \$1.3 million representing an increase of 9.3% or \$107 thousand from the quarter ended June 30, 2023. The increase was primarily the result of higher interest income on loans and Fed Funds. Basic earnings per share for the quarter were \$0.28 compared to \$0.26 per share for the prior quarter.
- Year to date net income as of September 30, 2023 was \$3.7 million representing a decrease of 7.2% or \$286 thousand from the nine months ended September 30, 2022. Excluding PPP fees and interest income of \$2.0 million in the prior year, net income in the first nine months of 2023 increased by \$1.1 million or 43.9% over the prior year period.
- Net interest margin for the third quarter 2023 equated to 3.42% compared with 4.05% for the same period in 2022. The decrease is primarily the result of higher deposit interest expense.
- Gross loans outstanding grew by 6.7% or \$27.0 million from September 30, 2022 to September 30, 2023, primarily as a result of increased CRE loans.
- Non-Performing loans to gross loans for the quarter ended September 30, 2023, was 0.23% compared to 0.05% as of September 30, 2022.
- The Bank subsidiary's community bank leverage ratio has been consistently strong. As of September 30, 2023 the ratio was 12.39%, compared to 12.60% at June 30, 2023, and 12.83% at September 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. Loans and deposits have grown 7% and 16% over the prior year, respectively. While the cost of funds for the third quarter increased to 1.89% compared to 0.35% in the prior year quarter, we have maintained cost controls and reduced non-interest expense to average assets from 2.52% to 2.27% over the same period. In the face of challenges ahead with the uncertain economic environment, I am excited about the Company's prospects in 2024. 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.

“In mid-September, the Bank entered into a three year pay-fixed interest rate swap contract for \$100 million notional value. This swap improves earnings in periods of elevated or rising rates, while hedging a portion of our fixed-rate CRE portfolio against further interest rate increases,” stated CEO Fanoe.

"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 21.4% at September 30, 2023 compared to 14.9% at September 30, 2022. As of September 30, 2023, on-balance sheet liquidity totaled \$119 million. Contingent liquidity, which includes borrowing capacity with the Federal Home Loan Bank, correspondent banks and brokered deposits, exceeds \$259 million. Our combined on-balance sheet liquidity and contingent liquidity equate to 139% of our uninsured deposits”, said Steve Leen, Executive Vice President and CFO.

As of September 30, 2023, total assets were \$554.5 million. Since September 30, 2022, total assets have increased \$70.2 million or 14.5% primarily as a result of an increase in interest bearing deposits. Since June 30, 2023, total assets have increased by \$14.7 million or 2.7%.

The investment securities portfolio totaled \$28.6 million as of September 30, 2023, \$26.9 million as of June 30, 2023, and \$27.4 million as of September 30, 2022; the unrealized losses in the portfolio were \$1.7 million, \$1.4 million, and \$1.6 million for the comparable periods, respectively. The overall securities portfolio made up 5.2% of total assets and the unrealized loss was 6.0% of the investment portfolio as of September 30, 2023.

Total gross loans outstanding were \$428.3 million as of September 30, 2023. Gross loans grew by 6.7% or \$27.0 million from September 30, 2022 to September 30, 2023. In the third quarter, since June 30, 2023, the Company’s loan portfolio increased by \$17.6 million or 4.3%. Increased CRE loans were the primary reason for the growth in loans.

As of September 30, 2023, total deposits were \$484.8 million. Total deposits have increased by \$66.3 million or 15.8% 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 \$49.5 million at September 30, 2023, representing growth of \$3.7 million, or 8.0% over a year ago, directly attributable to increased retained earnings. For the Company’s subsidiary, Pacific Valley Bank, equity increased to \$65.8 million at September 30, 2023 compared to \$64.6 million at June 30, 2023. Equity for both the Bank and the Company was reduced by \$0.9 million reflecting an increase in the allowance for credit 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 12.39%, significantly above the regulatory minimum of 9.00%.

Net Interest Income was \$4.5 million for the quarter ended September 30, 2023 compared to \$4.7 million for the quarter ended September 30, 2022. Net interest income was affected by increased interest expense of \$1.9 million partially offset by increased interest income of \$1.7 million. Net interest margin for the third quarter of 2023 was 3.42% compared with 4.05% for the same period in 2022. The decrease was primarily the result of increased interest bearing deposits.

No provision for credit losses was recorded in the third quarter of 2023 while a provision of \$218 thousand was taken in the third quarter of 2022. The lack of provision in 2023 reflects the quality of the Company's loan portfolio. The allowance for credit losses was 1.75% of gross loans as of September 30, 2023. Credit quality remains very strong; non-performing loans to gross loans as of September 30, 2023 was 0.23% compared to 0.05% as of September 30, 2022.

For the quarter ended September 30, 2023, Non-Interest Income was \$361 thousand compared with \$416 thousand for 2022, representing a decrease of 13.2%, primarily related to a drop in deposit account service charges.

Operating expenses were \$3.1 million for the third quarter of 2023, a decrease of \$17 thousand, or 0.6%, compared to the quarter ended June 30, 2023, primarily related to lower professional services expense offset by higher data processing expense.

Return on average assets was 0.93% for both the three months and nine months ended September 30, 2023, versus 1.00% and 1.09% for the comparable periods of the prior year. Excluding PPP income, prior year return on assets would have been 1.00% and 0.73% for the three months and nine months ended September 30, 2022, respectively.

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

| Assets                      | September 30, 2023      | June 30, 2023           | September 30, 2022      |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Cash and Due From Banks     | \$90,279                | \$95,653                | \$44,941                |
| Investment Securities       | 28,614                  | 26,862                  | 27,417                  |
| Gross Loans Outstanding     | 428,279                 | 410,668                 | 401,328                 |
| Allowance for Credit Losses | (7,512)                 | (7,512)                 | (5,944)                 |
| Other Assets                | 14,875                  | 14,193                  | 16,565                  |
| <b>Total Assets</b>         | <b><u>\$554,535</u></b> | <b><u>\$539,864</u></b> | <b><u>\$484,307</u></b> |

| Liabilities and Capital              | September 30, 2023      | June 30, 2023           | September 30, 2022      |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Non-Interest Bearing Deposits        | \$197,715               | \$197,780               | \$205,723               |
| Interest Bearing Deposits            | 287,044                 | 274,455                 | 212,767                 |
| Borrowings                           | 16,815                  | 16,802                  | 16,762                  |
| Other Liabilities                    | 3,413                   | 2,300                   | 3,170                   |
| Equity                               | 49,548                  | 48,527                  | 45,885                  |
| <b>Total Liabilities and Capital</b> | <b><u>\$554,535</u></b> | <b><u>\$539,864</u></b> | <b><u>\$484,307</u></b> |

| Key Ratios:                                | September 30, 2023 | June 30, 2023 | September 30, 2022 |
|--|--------------------|---------------|--------------------|
| Net Loan to Deposits                       | 86.80%             | 85.37%        | 94.48%             |
| Allowance for credit losses to gross loans | 1.75%              | 1.83%         | 1.48%              |
| Non-performing loans to gross loans        | 0.23%              | 0.24%         | 0.05%              |
| Equity Leverage Ratio                      | 9.39%              | 9.32%         | 9.44%              |
| Book Value per Share                       | \$11.12            | \$10.89       | \$11.39            |

| Income Statement, Three Months Ended | September 30, 2023    | June 30, 2023         | September 30, 2022    |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Interest Income                      | \$6,790               | \$6,193               | \$5,106               |
| Interest Expense                     | 2,310                 | 1,881                 | \$385                 |
| Net Interest Income                  | 4,480                 | 4,312                 | \$4,721               |
| Provision for Credit Losses          | 0                     | 0                     | \$218                 |
| Non-Interest Income                  | 361                   | 399                   | \$416                 |
| Non-Interest Expense                 | 3,070                 | 3,087                 | \$3,090               |
| Income Tax                           | 516                   | 476                   | \$601                 |
| <b>Net Income</b>                    | <b><u>\$1,255</u></b> | <b><u>\$1,148</u></b> | <b><u>\$1,228</u></b> |

| Key Ratios, Three Months Ended:      | September 30, 2023 | June 30, 2023 | September 30, 2022 |
|--------------------------------------|--------------------|---------------|--------------------|
| Earnings per basic share             | \$0.28             | \$0.26        | \$0.30             |
| Net Interest Margin, annualized      | 3.42%              | 3.45%         | 4.05%              |
| Quarter Efficiency Ratio             | 63.42%             | 65.53%        | 60.15%             |
| Return on Average Assets, annualized | 0.93%              | 0.88%         | 1.00%              |
| Return on Average Equity, annualized | 10.21%             | 9.52%         | 10.50%             |

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

| Income Statement, Nine Months Ended | September 30, 2023    | September 30, 2022    |
|-------------------------------------|-----------------------|-----------------------|
| Interest Income                     | \$18,919              | \$15,355              |
| Interest Expense                    | 5,578                 | 870                   |
| Net Interest Income                 | <u>13,341</u>         | <u>14,485</u>         |
| Provision for Credit Losses         | 0                     | 395                   |
| Non-Interest Income                 | 1,128                 | 1,096                 |
| Non-Interest Expense                | 9,276                 | 9,481                 |
| Income Tax                          | <u>1,516</u>          | <u>1,743</u>          |
| <b>Net Income</b>                   | <b><u>\$3,677</u></b> | <b><u>\$3,963</u></b> |

| Key Ratios, Nine Months Ended             | September 30, 2023 | September 30, 2022 |
|---|--------------------|--------------------|
| Earnings per basic share                  | \$0.83             | \$0.98             |
| Net Interest Margin, annualized           | 3.51%              | 4.17%              |
| Net Interest Margin, excluding PPP income | 3.51%              | 3.81%              |
| Efficiency Ratio                          | 64.11%             | 60.85%             |
| Return on Average Assets                  | 0.93%              | 1.09%              |
| Return on Average Equity                  | 10.07%             | 11.69%             |

**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.*