

## **FOR IMMEDIATE RELEASE**

### **Contact**

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### **Pacific Valley Bancorp Announces Its Fourth Quarter 2023 Financial Results**

Salinas, CA – January 30, 2024 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited financial results for the fourth quarter 2023. Net income for the quarter ended December 31, 2023, was \$1.2 million representing a decrease of 5.5% or \$68 thousand from the quarter ended December 31, 2022, primarily as a result of higher deposit interest expense.

#### **FINANCIAL HIGHLIGHTS:**

- Net income for the quarter ended December 31, 2023, was \$1.2 million representing a decrease of 6.7% or \$85 thousand from the quarter ended September 30, 2023. The decrease was primarily the result of higher marketing, personnel, consulting and insurance costs. Basic earnings per share for the quarter were \$0.26 compared to \$0.28 per share for the prior quarter.
- Net income for the year ended December 31, 2023 was \$4.8 million representing a decrease of 6.9% or \$360 thousand from the twelve months ended December 31, 2022. Excluding PPP fees and interest income of \$2.1 million in the prior year, net income in 2023 increased by \$1.1 million or 28.1% over the prior year period.
- Net interest margin for the fourth quarter 2023 equated to 3.69% compared with 4.03% for the same period in 2022. The decrease is primarily the result of higher deposit interest expense.
- Gross loans outstanding grew by 10.6% or \$43.2 million from December 31, 2022 to December 31, 2023, primarily as a result of increased CRE loans.
- Non-Performing loans to gross loans for the year ended December 31, 2023, was 0.02% compared to 0.05% as of December 31, 2022.
- The Bank subsidiary's Community Bank Leverage Ratio has been consistently strong. As of December 31, 2023 the ratio was 13.02%, compared to 12.39% at September 30, 2023, and 12.69% at December 31, 2022. The regulatory requirement for this ratio is 9.00%.

“The Company maintained consistent core income and asset growth in 2023 despite the pressure from rising deposit interest expense on net interest margin. Loans have grown 11% over the prior year which will provide momentum for interest income growth in 2024. While the cost of funds for the fourth quarter increased to 2.01% compared to 0.69% in the prior year quarter, we have maintained cost controls and reduced non-interest expense to average assets over the same period. Despite the uncertain economic environment, I am excited about the Company's prospects in 2024. The Bank is committed to maintaining conservative lending and investment policies to be able to serve the community for years to come,” said Anker Fanoë, President and CEO.

“Our deposits increased substantially in the fourth quarter as a result of seasonal agricultural deposits that come into the Bank in December and go out in January. That amount was \$72 million in 2023 and \$43 million in 2022. In October deposits were reduced by \$35 million as a result of business and individual tax payments which were delayed due to the California flood disaster declaration. The combination of these two factors and the Bank's loan growth has resulted in a temporary borrowing need in January of \$15 to \$20 million from the Federal Home Loan Bank that will reverse itself with our natural growth in deposits,” stated CEO Fanoë.

"Our liquidity position remains 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 21.2% at December 31, 2023 compared to 26.0% at December 31, 2022. These percentages typically drop in January with the outflow of seasonal deposits. As of December 31, 2023, on-balance sheet liquidity totaled \$124 million. Contingent liquidity, which includes borrowing capacity with the Federal Home Loan Bank, correspondent banks and brokered deposits, exceeds \$268 million. Our combined on-balance sheet liquidity and contingent liquidity equate to 127% of our uninsured deposits,” said Steve Leen, Executive Vice President and CFO.

As of December 31, 2023, total assets were \$586.0 million. Since December 31, 2022, total assets have increased \$27.0 million or 4.8%, primarily as a result of an increase in non-interest bearing deposits and an increase in seasonal agricultural deposits. Since September 30, 2023, total assets have increased by \$33.1 million or 6.0%

The investment securities portfolio totaled \$26.9 million as of December 31, 2023, \$28.6 million as of September 30, 2023, and \$27.7 million as of December 31, 2022; the unrealized losses in the portfolio were \$1.1 million, \$1.7 million, and \$1.4 million for the comparable periods, respectively. The overall securities portfolio made up 4.6% of total assets and the unrealized loss was 3.9% of the investment portfolio as of December 31, 2023.

Total gross loans outstanding were \$452.5 million as of December 31, 2023. Gross loans grew by 10.6% or \$43.2 million from December 31, 2022 to December 31, 2023. In the fourth quarter, since September 30, 2023, the Company’s loan portfolio increased by \$24.3 million or 5.7%. Increased CRE loans were the primary reason for the growth in loans.

As of December 31, 2023, total deposits were \$513.1 million. Total deposits have increased by \$20.6 million or 4.2% compared to prior year. The increase resulted from higher certificates of deposit and seasonal checking accounts, partially offset by lower money market and savings accounts.

Shareholders' Equity was \$51.7 million at December 31, 2023, representing growth of \$4.3 million, or 9.0% over a year ago, directly attributable to increased retained earnings. For the Company's subsidiary, Pacific Valley Bank, equity increased to \$68.1 million at December 31, 2023 compared to \$65.8 million at September 30, 2023. Equity for both the Bank and the Company was reduced by \$1.0 million reflecting an increase in the allowance for credit losses due to the adoption of CECL in the first month of 2023. The Bank is classified as well capitalized with a Community Bank Leverage Ratio of 13.02%, significantly above the regulatory minimum of 9.00%.

Net Interest Income was \$4.7 million for the quarter ended December 31, 2023 compared to \$4.9 million for the quarter ended December 31, 2022. Net interest income was affected by increased interest expense of \$1.6 million partially offset by increased interest income of \$1.4 million. Net interest margin for the fourth quarter of 2023 was 3.69% compared with 4.03% for the same period in 2022. The decrease was primarily the result of the higher cost of interest bearing deposits.

No provision for credit losses was recorded in 2023 while a provision of \$591 thousand was taken in 2022. The lack of provision in 2023 reflects the quality of the Company's loan portfolio. The allowance for credit losses was 1.66% of gross loans as of December 31, 2023. Credit quality remains very strong; non-performing loans to gross loans as of December 31, 2023 was 0.02% compared to 0.05% as of December 31, 2022.

For the year ended December 31, 2023, Non-Interest Income was \$1.5 million compared with \$1.5 million for 2022, as a drop in deposit account service charges was offset by an increase in fee income.

Non-interest expense was \$3.4 million for the fourth quarter of 2023, an increase of \$59 thousand, or 1.8%, compared to the quarter ended December 31, 2022, primarily related to higher professional services, insurance and data processing expense partially offset by lower personnel expense.

Return on average assets was 0.88% and 0.92% for the three months and twelve months ended December 31, 2023, versus 0.98% and 1.06% for the comparable periods of the prior year, respectively. Excluding PPP income, prior year return on assets would have been 0.97% and 0.81% for the three months and twelve months ended December 31, 2022, respectively.

**Pacific Valley Bancorp**  
**Selected Financial Data - Unaudited**  
**\$ In thousands, Except per Share Data**

Assets	December 31, 2023	September 30, 2023	December 31, 2022
Cash and Due From Banks	\$97,395	\$89,729	\$112,209
Investment Securities	26,946	28,614	27,651
Gross Loans Outstanding	452,532	428,279	409,322
Allowance for Credit Losses	(7,512)	(7,512)	(6,141)
Other Assets	16,634	13,801	15,989
<b>Total Assets</b>	<b>\$585,995</b>	<b>\$552,911</b>	<b>\$559,030</b>

Liabilities and Capital	December 31, 2023	September 30, 2023	December 31, 2022
Non-Interest Bearing Deposits	\$259,712	\$197,165	\$252,802
Interest Bearing Deposits	253,374	287,044	239,694
Borrowings	16,828	16,815	16,775
Other Liabilities	4,404	2,339	2,361
Equity	51,677	49,548	47,398
<b>Total Liabilities and Capital</b>	<b>\$585,995</b>	<b>\$552,911</b>	<b>\$559,030</b>

Key Ratios:	December 31, 2023	September 30, 2023	December 31, 2022
Net Loan to Deposits	86.73%	86.90%	81.86%
Allowance for credit losses to gross loans	1.66%	1.75%	1.50%
Non-performing loans to gross loans	0.02%	0.23%	0.05%
Equity Leverage Ratio	9.78%	9.39%	9.65%
Book Value per Share	\$11.60	\$11.12	\$11.68

Income Statement, Three Months Ended	December 31, 2023	September 30, 2023	December 31, 2022
Interest Income	\$7,096	\$6,790	\$5,650
Interest Expense	2,389	2,310	\$783
Net Interest Income	4,707	4,480	\$4,867
Provision for Credit Losses	0	0	\$197
Non-Interest Income	372	361	\$403
Non-Interest Expense	3,392	3,070	\$3,333
Income Tax	516	516	\$502
<b>Net Income</b>	<b>\$1,170</b>	<b>\$1,255</b>	<b>\$1,238</b>

Key Ratios, Three Months Ended:	December 31, 2023	September 30, 2023	December 31, 2022
Earnings per basic share	\$0.26	\$0.28	\$0.31
Net Interest Margin, annualized	3.69%	3.42%	4.03%
Quarter Efficiency Ratio	66.80%	63.42%	63.24%
Return on Average Assets, annualized	0.88%	0.93%	0.98%
Return on Average Equity, annualized	9.12%	10.21%	10.60%

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Income Statement, Twelve Months Ended	December 31, 2023	December 31, 2022
Interest Income	\$26,015	\$21,010
Interest Expense	7,967	1,654
Net Interest Income	<u>18,048</u>	<u>19,356</u>
Provision for Credit Losses	0	591
Non-Interest Income	1,500	1,501
Non-Interest Expense	12,668	12,814
Income Tax	<u>2,032</u>	<u>2,245</u>
<b>Net Income</b>	<b><u>\$4,847</u></b>	<b><u>\$5,207</u></b>

Key Ratios, Twelve Months Ended	December 31, 2023	December 31, 2022
Earnings per basic share	\$1.09	\$1.28
Net Interest Margin, annualized	3.55%	4.14%
Net Interest Margin, excluding PPP income	3.56%	3.96%
Efficiency Ratio	64.81%	61.44%
Return on Average Assets	0.92%	1.06%
Return on Average Equity	9.82%	11.42%

**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.*