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Pacific Valley Bancorp Announces Its First Quarter 2024 Financial Results

Salinas, CA – April 25, 2024 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited financial results for the first quarter of 2024. Net income for the quarter ended March 31, 2024, was \$1.2 million representing a decrease of 5.6% or \$71 thousand from the quarter ended March 31, 2023, primarily due to higher interest expense.

FINANCIAL HIGHLIGHTS:

- Net income for the quarter ended March 31, 2024, was \$1.2 million representing an increase of 2.8% or \$32 thousand from the quarter ended December 31, 2023. The increase was primarily the result of higher loan interest income and lower deposit interest expense, partially offset by lower Fed Funds income and higher borrowing costs. Basic earnings per share for the quarter was \$0.24 compared to \$0.26 per share for the prior quarter. Earnings per share for the first quarter of 2024 reflects a 10% stock dividend at the end of the quarter. Earnings per share for the prior quarter would have been \$0.24 if the dividend were applied retroactively.
- Net interest margin for the first quarter March 31, 2024 was 3.57% compared with 3.67% for the same period in 2023. The decrease is primarily the result of higher interest expense.
- Gross loans outstanding grew by 10.6% or \$43.0 million from March 31, 2023 to March 31, 2024, primarily as a result of increased CRE loans.
- Non-Performing loans to gross loans for the quarter ended March 31, 2024, was 0.11% compared to 0.25% as of March 31, 2023.
- The Bank subsidiary's Community Bank Leverage Ratio has been consistently strong. As of March 31, 2024 the ratio was 13.48%, compared to 13.02% on December 31, 2023, and 12.42% on March 31, 2023. The regulatory requirement for this ratio is 9.00%.

“The Company maintained consistent income, credit quality and operating efficiency in the first quarter of 2024 despite the pressure from rising interest expense on net interest margin. Loans have grown 11% over the prior year quarter which will provide momentum for interest income growth in 2024. While the cost of funds for the first quarter increased to 2.14% compared to 1.18% in the prior year quarter, we have maintained cost controls and kept non-interest expense to average assets below 2.50%. We will be investing in loan and deposit production and support personnel in 2024 to drive growth in both of those areas. This will be an investing year to position the Bank to achieve greater profitability. Despite the volatile economic environment, I am excited about the Company's prospects in 2024 and beyond. 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 decreased substantially in the first quarter due to seasonal agricultural deposits that come into the Bank in December and go out in January. Those amounts were \$72 million in 2024 and \$43 million in 2023. The combination of seasonal deposits outflow and the Bank's loan growth has resulted in a borrowing need in the first quarter that has been addressed with \$20 million in long term brokered deposits which are callable in six months,” stated CEO Fanoë.

"Our liquidity position remains strong, as our primary liquidity ratio (cash, deposits held in other banks and securities as a percentage of total assets) was 12.4% on December 31, 2023 compared to 19.3% on March 31, 2023, which was prior to our loan growth. As of March 31, 2024, on-balance sheet liquidity totaled \$65 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 150% of our uninsured deposits,” said Steve Leen, Executive Vice President and CFO.

As of March 31, 2024, total assets were \$523.0 million. Since March 31, 2023, total assets have increased \$4.5 million or 0.9%, as a result of earnings over the last 12 months. Since December 31, 2023, total assets have decreased by \$63.0 million or 10.7% primarily due to seasonal withdrawals of agricultural deposits.

The investment securities portfolio totaled \$26.4 million as of March 31, 2024, \$26.9 million as of December 31, 2023, and \$27.6 million as of March 31, 2023; the unrealized losses in the portfolio were \$1.2 million, \$1.1 million, and \$1.0 million for the comparable periods, respectively. The overall securities portfolio made up 5.0% of total assets and the unrealized loss was 4.6% of the investment portfolio as of March 31, 2024.

Total gross loans outstanding were \$449.4 million as of March 31, 2024. Gross loans grew by 10.6% or \$43.0 million from March 31, 2023 to March 31, 2024. In the first quarter, since December 31, 2023, the Company's loan portfolio decreased by \$3.2 million or 0.7%. Decreased agricultural and multifamily loans were partially offset by increased farmland and residential real estate loans.

As of March 31, 2024, total deposits were \$450.1 million. Total deposits have decreased by \$1.7 million or 0.4% compared to the prior year quarter. The decrease resulted from lower checking and money market accounts, partially offset by higher certificates of deposit.

Shareholders' Equity was \$52.7 million on March 31, 2024, representing growth of \$5.1 million, or 10.8% over a year ago, directly attributable to increased retained earnings. For the Company's subsidiary, Pacific Valley Bank, equity increased to \$69.3 million on March 31, 2024 compared to \$68.1 million on December 31, 2023. The Bank is classified as well capitalized with a Community Bank Leverage Ratio of 13.48%, significantly above the regulatory minimum of 9.00%.

Net Interest Income was \$4.50 million for the quarter ended March 31, 2024, compared to \$4.55 million for the quarter ended March 31, 2023. Net interest income was affected by increased interest expense of \$1.1 million partially offset by increased interest income of \$1.0 million. Net interest margin for the first quarter of 2024 was 3.57% compared with 3.67% for the same period in 2023. The decrease was primarily the result of the higher cost of interest-bearing deposits and increased borrowing costs.

No provision for credit losses was recorded in the first quarter of 2024 or in the entire year of 2023. The lack of provision in 2024 and 2023 reflects the quality of the Company's loan portfolio. The allowance for credit losses was 1.67% of gross loans as of March 31, 2024. Credit quality remains very strong; non-performing loans to gross loans as of March 31, 2024 was 0.11% compared to 0.25% as of March 31, 2023.

For the quarter ended March 31, 2024, Non-Interest Income was \$351 thousand compared with \$368 thousand for the quarter ended March 31, 2023, and \$372 thousand for the quarter ended December 31, 2023, due to a drop in deposit account service charges.

Non-interest expense was \$3.1 million for the first quarter of 2024, an increase of \$21 thousand, or 0.7%, compared to the quarter ended March 31, 2023, primarily related to higher data processing, professional services, and insurance expense, partially offset by lower personnel expense.

Return on average assets was 0.92% for the three months ended March 31, 2024, versus 0.98% for the comparable period of the prior year due to higher interest expense, partially offset by higher interest income.

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

Assets	March 31, 2024	December 31, 2023	March 31, 2023
Cash and Due From Banks	\$38,595	\$97,395	\$76,895
Investment Securities	26,411	26,946	27,579
Gross Loans Outstanding	449,361	452,532	406,337
Allowance for Credit Losses	(7,513)	(7,512)	(7,512)
Other Assets	16,181	16,634	15,230
Total Assets	\$523,034	\$585,995	\$518,529

Liabilities and Capital	March 31, 2024	December 31, 2023	March 31, 2023
Non-Interest Bearing Deposits	\$159,509	\$259,712	\$194,815
Interest Bearing Deposits	290,578	253,374	256,963
Borrowings	16,841	16,828	16,789
Other Liabilities	3,361	4,404	2,347
Equity	52,745	51,677	47,615
Total Liabilities and Capital	\$523,034	\$585,995	\$518,529

Key Ratios:	March 31, 2024	December 31, 2023	March 31, 2023
Net Loan to Deposits	98.17%	86.73%	88.28%
Allowance for credit losses to gross loans	1.67%	1.66%	1.85%
Non-performing loans to gross loans	0.11%	0.02%	0.25%
Equity to Year-to-Date Average Assets	10.12%	9.78%	9.16%
Book Value per Share	\$10.71	\$11.60	\$10.66

Income Statement, Three Months Ended	March 31, 2024	December 31, 2023	March 31, 2023
Interest Income	\$6,982	\$7,096	\$5,936
Interest Expense	2,487	2,389	\$1,387
Net Interest Income	4,495	4,707	\$4,549
Provision for Credit Losses	0	0	\$0
Non-Interest Income	351	372	\$368
Non-Interest Expense	3,140	3,392	\$3,119
Income Tax	503	516	\$524
Net Income	\$1,203	\$1,170	\$1,274

Key Ratios, Three Months Ended:	March 31, 2024	December 31, 2023	March 31, 2023
Earnings per basic share	\$0.24	\$0.26	\$0.29
Net Interest Margin, annualized	3.57%	3.69%	3.67%
Quarter Efficiency Ratio	64.80%	66.80%	63.43%
Return on Average Assets, annualized	0.92%	0.88%	0.98%
Return on Average Equity, annualized	9.14%	9.12%	10.47%

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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.