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Pacific Valley Bancorp Announces Its Second Quarter 2024 Financial Results

Salinas, CA – July 29, 2024 – Pacific Valley Bancorp (OTC Pink: PVBK) announced its unaudited financial results for the second quarter of 2024. Net income for the quarter ended June 30, 2024, was \$1.0 million, a decrease of 11.7% or \$134 thousand from the quarter ended June 30, 2023, primarily due to higher interest expense.

FINANCIAL HIGHLIGHTS:

- Net income for the quarter ended June 30, 2024, was \$1.0 million, a decrease of 15.7% or \$189 thousand from the quarter ended March 31, 2024. The decrease was primarily the result of higher deposit interest expense and lower fed funds interest income, partially offset by higher loan interest income. Basic earnings per share for the quarter was \$0.21 compared to \$0.24 per share for the prior quarter.
- Net income for the six months ended June 30, 2024 was \$2.2 million, a decrease of 8.5% or \$206 thousand from the six months ended June 30, 2023. As was the case for the quarter, higher deposit interest expense and lower fed funds interest income were partially offset by higher loan interest income.
- Net interest margin for the second quarter June 30, 2024 was 3.32% compared with 3.45% for the same period in 2023. The decrease is primarily the result of higher interest expense.
- Net interest margin for the six months ended June 30, 2024 was 3.45% compared with 3.54% for the same period in 2023. The decrease is primarily the result of higher interest expense.
- Gross loans outstanding grew by 11.0% or \$45.1 million from June 30, 2023 to June 30, 2024, primarily as a result of increased CRE loans.
- Non-Performing loans to gross loans for the quarter ended June 30, 2024, was 0.22% compared to 0.24% as of June 30, 2023.
- The Bank subsidiary's Community Bank Leverage Ratio has been consistently strong. As of June 30, 2024 the ratio was 13.75%, compared to 13.48% on March 31, 2024, and 12.60% on June 30, 2023. The regulatory requirement for this ratio is 9.00%.

“The Company results for the second quarter of 2024 showed the continuing impact of rising interest expense as we experienced declines in our net interest margin and net income. Loans have grown 11% over the prior year quarter which will contribute to future profitability. While the cost of funds for the second quarter increased to 2.36% compared to 2.14% in the first quarter, we have maintained cost controls and kept non-interest expense to average assets below 2.50%,” said Anker Fanoë, President and CEO.

“Changes in our market resulting from the acquisitions of competitor banks present opportunities for growth. We have increased loan and deposit production and support personnel to meet these opportunities and will be increasing our spending on marketing. These investments will reduce current net income, but we believe they will lead to greater profitability in the long term. I am excited about the Company’s prospects as our market changes. Our deposits increased \$9 million in the second quarter primarily due to higher checking accounts. We are starting to see an increase in the flow of funds into the Bank. As a result, we have eliminated our borrowings with the Federal Home Loan Bank,” stated CEO Fanoe.

"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 12.9% on June 30, 2024, compared to 12.4% on March 31, 2024. As of June 30, 2024, on-balance sheet liquidity totaled \$69 million and contingent liquidity, which includes borrowing capacity with the Federal Home Loan Bank, correspondent banks and brokered deposits, was \$270 million. Our combined on-balance sheet liquidity and contingent liquidity amount to 149% of our uninsured deposits," said Steve Leen, Executive Vice President and CFO.

As of June 30, 2024, total assets were \$533.8 million. Since June 30, 2023, total assets have decreased \$6.1 million or 1.1%, primarily as a result of a drop in deposits. Since March 31, 2024, total assets have increased by \$10.8 million or 2.1%, primarily due to an increase in checking account deposits.

The investment securities portfolio totaled \$27.0 million as of June 30, 2024, \$26.4 million as of March 31, 2024, and \$26.9 million as of June 30, 2023; the unrealized losses in the portfolio were \$1.1 million, \$1.2 million, and \$1.4 million for the comparable periods, respectively. The securities portfolio made up 5.1% of total assets and the unrealized loss was 4.0% of the investment portfolio as of June 30, 2024.

Total gross loans outstanding were \$455.8 million as of June 30, 2024. Gross loans grew by 11.0% or \$45.1 million from June 30, 2023 to June 30, 2024. The Company’s loan portfolio increased by \$6.4 million or 1.4% during the quarter ended June 30, 2024. Increased commercial real estate loans were the predominant growth component.

As of June 30, 2024, total deposits were \$459.6 million. Total deposits have decreased by \$12.6 million or 2.7% 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 \$53.9 million on June 30, 2024, representing growth of \$5.4 million or 11.1% over a year ago, directly attributable to increased retained earnings. For the Company’s subsidiary, Pacific Valley Bank, equity increased to \$70.2 million on June 30, 2024 compared to \$69.3 million on March 31, 2024. The Bank is classified as well capitalized with a Community Bank Leverage Ratio of 13.75%, significantly above the regulatory minimum of 9.00%.

Net Interest Income was \$4.2 million for the quarter ended June 30, 2024, compared to \$4.3 million for the quarter ended June 30, 2023. Net interest income was impacted by increased interest expense of \$0.8 million partially offset by increased interest income of \$0.7 million. Net Interest Income was \$8.7 million for the six months ended June 30, 2024, compared to \$8.9 million for the six months ended June 30, 2023. Net interest income was impacted by increased interest expense of \$1.9 million partially offset by increased interest income of \$1.7 million.

No provision for credit losses was recorded in the second quarter of 2024 or in the second quarter of the prior year. The lack of provision in 2024 and 2023 reflects the quality of the Company's loan portfolio. The allowance for credit losses was 1.66% of gross loans as of June 30, 2024. Credit quality remains very strong; non-performing loans to gross loans as of June 30, 2024 was 0.22% compared to 0.24% as of June 30, 2023.

For the quarter ended June 30, 2024, Non-Interest Income was \$412 thousand compared with \$399 thousand for the quarter ended June 30, 2023, and \$351 thousand for the quarter ended March 31, 2024. The increase over both quarters was due to higher miscellaneous fee income.

Non-interest expense was \$3.1 million for the second quarter of 2024, an increase of \$46 thousand, or 1.5%, compared to the quarter ended June 30, 2023, primarily related to higher personnel, data processing and marketing expenses, partially offset by lower professional services expense.

Return on average assets was 0.78% and 0.85% for the three months and six months ended June 30, 2024, versus 0.88% and 0.93% for the comparable periods of the prior year.

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

| Assets | June 30, 2024 | March 31, 2024 | June 30, 2023 |
|-----------------------------|------------------|------------------|------------------|
| Cash and Due From Banks | \$41,735 | \$38,595 | \$95,653 |
| Investment Securities | 26,966 | 26,411 | 26,862 |
| Gross Loans Outstanding | 455,811 | 449,361 | 410,668 |
| Allowance for Credit Losses | (7,544) | (7,513) | (7,512) |
| Other Assets | 16,823 | 16,181 | 14,193 |
| Total Assets | \$533,791 | \$523,034 | \$539,864 |

| Liabilities and Capital | June 30, 2024 | March 31, 2024 | June 30, 2023 |
|--------------------------------------|------------------|------------------|------------------|
| Non-Interest Bearing Deposits | \$173,783 | \$159,509 | \$197,780 |
| Interest Bearing Deposits | 285,856 | 290,578 | 274,455 |
| Borrowings | 16,855 | 16,841 | 16,802 |
| Other Liabilities | 3,398 | 3,361 | 2,300 |
| Equity | 53,899 | 52,745 | 48,527 |
| Total Liabilities and Capital | \$533,791 | \$523,034 | \$539,864 |

| Key Ratios: | June 30, 2024 | March 31, 2024 | June 30, 2023 |
|--|---------------|----------------|---------------|
| Net Loan to Deposits | 97.53% | 98.17% | 85.37% |
| Allowance for credit losses to gross loans | 1.66% | 1.67% | 1.83% |
| Non-performing loans to gross loans | 0.22% | 0.11% | 0.24% |
| Equity to Year-to-Date Average Assets | 10.37% | 10.12% | 9.32% |
| Book Value per Share | \$10.95 | \$10.71 | \$10.89 |

| Income Statement, Three Months Ended | June 30, 2024 | March 31, 2024 | June 30, 2023 |
|--------------------------------------|----------------|----------------|----------------|
| Interest Income | \$6,854 | \$6,982 | \$6,193 |
| Interest Expense | 2,699 | 2,487 | 1,881 |
| Net Interest Income | 4,155 | 4,495 | 4,312 |
| Provision for Credit Losses | 0 | 0 | 0 |
| Non-Interest Income | 412 | 351 | 399 |
| Non-Interest Expense | 3,133 | 3,140 | 3,087 |
| Income Tax | 420 | 503 | 476 |
| Net Income | \$1,014 | \$1,203 | \$1,148 |

| Key Ratios, Three Months Ended: | June 30, 2024 | March 31, 2024 | June 30, 2023 |
|--------------------------------------|---------------|----------------|---------------|
| Earnings per basic share | \$0.21 | \$0.24 | \$0.26 |
| Net Interest Margin, annualized | 3.32% | 3.57% | 3.45% |
| Quarter Efficiency Ratio | 68.60% | 64.80% | 65.53% |
| Return on Average Assets, annualized | 0.78% | 0.92% | 0.88% |
| Return on Average Equity, annualized | 7.40% | 9.14% | 9.52% |

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

| Income Statement, Six Months Ended | June 30, 2024 | June 30, 2023 |
|------------------------------------|----------------|----------------|
| Interest Income | \$13,836 | \$12,129 |
| Interest Expense | 5,186 | 3,268 |
| Net Interest Income | 8,650 | 8,861 |
| Provision for Credit Losses | 0 | 0 |
| Non-Interest Income | 763 | 767 |
| Non-Interest Expense | 6,274 | 6,206 |
| Income Tax | 923 | 1,000 |
| Net Income | \$2,216 | \$2,422 |

| Key Ratios, Six Months Ended | June 30, 2024 | June 30, 2023 |
|---------------------------------|---------------|---------------|
| Earnings per basic share | \$0.45 | \$0.54 |
| Net Interest Margin, annualized | 3.45% | 3.54% |
| Efficiency Ratio | 66.65% | 64.46% |
| Return on Average Assets | 0.85% | 0.93% |
| Return on Average Equity | 8.26% | 10.00% |

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.