



FOR IMMEDIATE RELEASE  
PRESS RELEASE: July 30, 2020

### **Pinnacle Bank Announces Q2 2020 Results**

Gilroy, CA – July 30, 2020 – OTCQB: PBNK - Pinnacle Bank, headquartered in Gilroy, California, announced today unaudited net income for the three months ended June 30, 2020 of \$1,077,000 compared to \$1,365,000 in the same period in 2019.

As of June 30, 2020, total assets were \$624.7 million, a 56% increase from the \$401.2 million at June 30, 2019.

Gross loans were \$484.0 million at June 30, 2020, an increase of \$155.5 million (47%) from the June 30, 2019 balance of \$328.5 million. Gross Paycheck Protection Program (PPP) loans at June 30, 2020 were \$125.6 million. Excluding the PPP loans, gross loans increased \$29.9 million or 9%. The allowance for loan losses at June 30, 2020 was \$5.419 million or 1.14% of loans (1.51% of loans excluding the PPP loans), compared to \$3.945 million or 1.22% of loans at June 30, 2019. Nonperforming assets totaled \$56,000 (0.01% of assets) at June 30, 2020 compared to \$61,000 at March 31, 2020 and \$836,000 at June 30, 2019.

Total deposits at June 30, 2020 increased to \$550.2 million from \$345.3 million at June 30, 2019, a 59% increase. Contributing to the growth in deposits were the proceeds from PPP loans, new clients and existing clients increasing deposit account balances.

Public health orders to limit the pandemic have caused significant changes in economic conditions that may affect our borrowers' ability to repay their loans. The provision for loan losses of \$420,000 in second quarter and \$1.0 million in the first quarter incorporate estimates of the changes in macro-economic conditions. Certain traditional measures of credit risk do not yet show weakened loan performance as delinquent and classified loans at June 30, 2020 were both below June 30, 2019 levels. As of June 30, 2020, payment deferrals, generally for three months, were in place for 94 loans totaling \$114 million. We expect approximately 75% of borrowers with three-month deferrals to resume payments in the third quarter. SBA 7a loans of \$66 million are receiving monthly payments from the SBA through September 2020 under the CARES Act. Additional provisions may be needed as the economic impacts of the pandemic become known.

"The rapid and significant changes since the start of COVID-19 have created uncertainty for our clients and communities. During the second quarter, we provided more than 400 clients with PPP loans and granted payment deferrals to clients whose businesses experienced sudden economic hardship and uncertainty due to the pandemic. We will continue to support the determination and resiliency of our clients and communities as we face these unprecedented challenges," stated Jeffrey Payne, President and CEO.

"Despite the current adversities, some clients are seeing opportunities for growth. We are pleased many local businesses continue to choose Pinnacle Bank. Participating in the PPP program allowed us to enhance and expand our client relationships and led to additional deposits as well as lending opportunities. Our Silicon Valley office is expected to open in late Q3 and we look forward to serving new clients from that location," stated Mr. Payne. "We are honored to contribute to the success of our communities by providing premier business banking from Salinas Valley to Silicon Valley. I sincerely appreciate the continued efforts and contributions of our outstanding team of professional bankers, our committed directors and advisors and our many loyal clients."

The Bank's capital position remains above regulatory guidelines for well capitalized banks. At June 30, 2020, the Bank had a total capital ratio of 14.80%. Book value per share at June 30, 2020 was \$10.53. Net interest margin in the second quarter of 2020 was 3.65% compared to 5.31% for the same period in 2019.

Pinnacle Bank is rated by Bauer Financial as Five-Star "Superior" for strong financial performance, the top rating given by the independent bank rating firm. DepositAccounts.com awarded Pinnacle Bank an A+ rating with a ranking of 80 out of 5,035 U. S. banks analyzed. The Findley Reports named Pinnacle Bank a 2020 Super Premier performing bank.

For more information please go to [www.pinnacle.bank](http://www.pinnacle.bank) click on Investor Relations and June 2020 call report.

#### **About Pinnacle Bank**

*Pinnacle Bank is a full-service business bank dedicated to providing quality depository and credit services in Santa Clara, San Benito and Monterey counties. The bank focuses on commercial banking services for businesses and nonprofit organizations, offering a variety of products and services that combine the best of personal touch with convenient technology-based delivery. Pinnacle Bank has locations in Morgan Hill, Gilroy and Salinas. For more information please go to [www.pinnacle.bank](http://www.pinnacle.bank) click on Investor Relations and June 2020 call report.*

#### **Forward-Looking Statements**

*This release may contain forward-looking statements, such as, among others, statements about plans, expectations and goals concerning growth and improvement. Forward-looking statements are subject to risks and uncertainties. Such risks and uncertainties may include, but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, including the real estate market in our primary service area and more generally in California and other factors beyond the Bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. Pinnacle Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.*

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**Summary Balance Sheet***(Unaudited, dollars in thousands)*

	6/30/2020	3/31/2020	6/30/2019	Year over year change	
				\$	%
Total assets	\$ 624,661	\$ 432,714	\$ 401,203	\$ 223,459	56%
Gross loans	\$ 483,963	\$ 346,625	\$ 328,490	\$ 155,473	47%
Allowance for loan losses	\$ (5,419)	\$ (4,988)	\$ (3,945)	\$ (1,474)	37%
Non-interest bearing deposits	\$ 261,949	\$ 158,598	\$ 134,973	\$ 126,976	94%
Interest-bearing deposits	\$ 288,264	\$ 211,859	\$ 210,372	\$ 77,892	37%
Total deposits	\$ 550,213	\$ 370,457	\$ 345,345	\$ 204,868	59%
Shareholders' equity	\$ 55,229	\$ 54,046	\$ 50,799	\$ 4,430	9%

**Summary Income Statement***(Unaudited, dollars in thousands except per share data)*

	Quarter ended	Quarter ended	Change	Quarter ended	Change
	6/30/2020	3/31/2020	%	6/30/2019	%
Interest income	\$ 5,251	\$ 5,454	-4%	\$ 5,250	0%
Interest expense	524	486	8%	449	17%
Net interest income	4,727	4,968	-5%	4,801	-2%
Provision for loan losses	420	1,000	-58%	100	320%
Non-interest income	823	475	73%	828	-1%
Non-interest expense	3,579	4,272	-16%	3,575	0%
Income tax expense	474	66	618%	589	-20%
Net income (loss)	\$ 1,077	\$ 105	926%	\$ 1,365	-21%

Basic Earnings per share	\$ 0.21	\$ 0.02	950%	\$0.26	-19%
Diluted Earnings per share	\$ 0.20	\$ 0.02	947%	\$0.26	-23%
Book value per share	\$ 10.53	\$ 10.25	3%	\$ 9.73	8%
Shares outstanding at period end	5,242,743	5,242,743	0%	5,223,145	0%
Return on average assets	0.77%	0.10%		1.41%	
Return on average equity	7.87%	0.78%		10.83%	

**Capital Ratios**

	6/30/2020	3/31/2020	6/30/2019	Minimum required to be well-capitalized
Tier 1 leverage ratio	9.91%	12.97%	13.13%	5.00%
Common Equity Tier 1 capital ratio	13.55%	13.76%	13.94%	6.50%
Tier 1 capital ratio	13.55%	13.76%	13.94%	8.00%
Total capital ratio	14.80%	16.01%	15.03%	10.00%