



FOR IMMEDIATE RELEASE
PRESS RELEASE: January 28, 2021

Pinnacle Bank Announces 2020 Results

Gilroy, CA – January 28, 2021 – OTCQB: PBNK - Pinnacle Bank, headquartered in Gilroy, California, announced today unaudited net income for the year ended December 31, 2020 of \$3,941,000, a decrease of 30% over the 2019 net income of \$5,564,000. Unaudited net income for the fourth quarter of 2020 was \$1,411,000 compared to \$1,348,000 in the third quarter of 2020 and \$1,404,000 in the fourth quarter of 2019. The public health and economic uncertainties that existed for much of 2020 were the basis for a provision for loan losses of \$2,070,000 for 2020 compared to \$280,000 for 2019.

As of December 31, 2020, total assets were \$616.8 million, a 47% increase from the \$419.4 million at December 31, 2019.

Gross loans were \$487.0 million at December 31, 2020, an increase of \$151.1 million (45%) from the December 31, 2019 balance of \$335.9 million. Gross Paycheck Protection Program (PPP) loans at December 31, 2020 were \$110.2 million. Excluding the PPP loans, gross loans increased \$40.9 million or 12%. The allowance for loan losses at December 31, 2020 was \$6.1 million or 1.27% of net loans (1.65% of net loans excluding the PPP loans) compared to \$3.9 million or 1.19% of net loans at December 31, 2019.

Total deposits at December 31, 2020, increased to \$544.2 million from \$356.5 million at December 31, 2019, a 53% increase.

"Pinnacle Bank finished 2020 with a strong fourth quarter and strong growth for the year. The year was highlighted by supporting our clients with more than 400 PPP loans and by the growth in loans and deposits. Opportunities for growth continue in our communities as demonstrated by our 12% loan growth excluding PPP loans. We remain optimistic due to our region's economic vitality and resiliency while remaining watchful for those negatively impacted. Clients continue to come to Pinnacle Bank for our relationship-based approach provided by experienced bankers as evidenced by our robust organic loan and deposit growth. In addition, our Silicon Valley office opened in Q4," stated Jeffrey Payne, President and CEO. "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."

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 in 2020 incorporates estimates of the changes in macro-economic conditions and portfolio concentrations. One loan for \$1.7mm which was greater than 30 days past due at December 31, 2020 has returned to non-delinquent status. With the exception of that loan, certain traditional measures of credit risk such as delinquencies and nonperforming assets have not shown weakened performance. However, relief measures such as PPP loans and SBA payments on 7a loans may be inadequate to support borrowers as the pandemic continues to hinder economic activity. As a relationship-oriented bank we continue to work with our borrowers to assist them in responding to changes in conditions. As of December 31, 2020, COVID loan modifications, generally for interest only periods, were in place for 10 loans totaling \$11.5 million compared to 14 loans totaling \$24.5 million at September 30, 2020. All of these loans were on performing status. Nonperforming assets totaled \$45,000 (0.01% of assets) at December 31, 2020 compared to \$65,000 at December 31, 2019.

The Bank's capital position remains above regulatory guidelines for well capitalized banks. At December 31, 2020, the Bank had a total capital ratio of 14.95%. Book value per share at December 31, 2020 was \$11.01. Net interest margin in the fourth quarter and full year of 2020 was 3.64% and 3.81%, respectively, compared to 5.42% and 5.45% for the same periods 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 click on Investor Relations and December 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 Campbell, Morgan Hill, Gilroy and Salinas. For more information please go to www.pinnacle.bank click on Investor Relations and December 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)*

	12/31/2020	9/30/2020	12/31/2019	Year over year change	
				\$	%
Total assets	\$ 616,847	\$ 624,877	\$ 419,412	\$ 197,435	47%
Gross loans	\$ 487,035	\$ 502,122	\$ 335,915	\$ 151,120	45%
Allowance for loan losses	\$ (6,101)	\$ (5,885)	\$ (3,935)	\$ (2,166)	55%
Non-interest bearing deposits	\$ 244,749	\$ 244,858	\$ 160,160	\$ 84,589	53%
Interest-bearing deposits	\$ 299,424	\$ 303,961	\$ 196,360	\$ 103,064	52%
Total deposits	\$ 544,173	\$ 548,819	\$ 356,520	\$ 187,653	53%
Shareholders' equity	\$ 58,225	\$ 56,681	\$ 53,718	\$ 4,507	8%

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

	Year ended		Change	
	12/31/2020	12/31/2019	\$	%
Interest income	\$ 22,181	\$ 21,453	\$ 728	4.2%
Interest expense	1,893	1,705	188	34.1%
Net interest income	20,288	19,748	540	3.2%
Provision for loan losses	2,070	280	1,790	2386.7%
Non-interest income	3,727	3,164	563	17.2%
Non-interest expense	16,201	14,503	1,698	13.7%
Income tax expense	1,803	2,565	(762)	-36.3%
Net income (loss)	\$ 3,941	\$ 5,564	\$ (1,623)	-30.3%
Basic Earnings (loss) per share	\$0.75	\$1.09	(\$0.34)	-28.4%
Diluted Earnings (loss) per share	\$0.74	\$1.06	(\$0.32)	-27.6%
Book value per share	\$ 11.01	\$ 10.81	\$0.20	1.9%
Shares outstanding at period end	5,288,310	5,242,743	45,567	0.9%

Capital Ratios

	12/31/2020	9/30/2020	12/31/2019	Minimum required to be well-capitalized
Tier 1 leverage ratio	9.13%	8.99%	12.91%	5.00%
Common Equity Tier 1 capital ratio	13.69%	13.50%	14.14%	6.50%
Tier 1 capital ratio	13.69%	13.50%	14.14%	8.00%
Total capital ratio	14.95%	14.76%	15.19%	10.00%