



FOR IMMEDIATE RELEASE
PRESS RELEASE: January 26, 2023

Pinnacle Bank Announces Record Earnings for 2022

Gilroy, CA – January 26, 2023 – OTCQB: PBNK - Pinnacle Bank, headquartered in Gilroy, California, announced today record unaudited net income for the year ended December 31, 2022 of \$8,453,000, an increase of 9% over the 2021 net income of \$7,750,000. Unaudited net income for the fourth quarter of 2022 was \$3,107,000 compared to \$2,494,000 in the third quarter of 2022 and \$2,011,000 in the fourth quarter of 2021.

As of December 31, 2022, total assets were \$755.7 million, a 2% increase from the \$737.8 million at December 31, 2021.

Gross loans were \$510.1 million at December 31, 2022, an increase of \$75.6 million (17%) from the December 31, 2021 balance of \$434.5 million. Gross Paycheck Protection Program (PPP) loans at December 31, 2022 were \$363,000 compared to \$21.0 million a year earlier. Excluding PPP loans, gross loans increased \$96.2 million or 23%. The allowance for loan losses at December 31, 2022 was \$5.085 million or 1.01% of net loans compared to \$6.194 million or 1.45% of net loans at December 31, 2021 (1.52% excluding PPP loans).

Total deposits at December 31, 2022, increased to \$669.4 million from \$659.7 million at December 31, 2021, a 1% increase.

Changes in the market conditions for government guaranteed loans, such as SBA 7a loans, have led to lower levels of noninterest income in 2022. Noninterest income for 2022 was \$2,901,000 and included gains on the sale of loans of \$1,548,000 compared to the 2021 noninterest income of \$7,085,000 and gains on sale of \$5,404,000. The decline in gains on sale of loans reflects lower levels of government guaranteed loan originations as demand was impacted by the return of the traditional SBA 7a program fees and increases in the prime rate. Gains on sale of loans for 2021 reflected higher loan origination volumes and higher prices paid by government guaranteed loan investors based on the temporary reduction in fees in the SBA 7a loan program that ended September 30, 2021.

"We reached record earnings, deposits and total assets in 2022. The growth in core loans reflects the success of our approach to relationship banking," 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. We appreciate the ongoing efforts of our outstanding team of professional bankers, committed directors and advisors and our many loyal clients that contribute to our ongoing success and continued momentum."

The Bank's capital position remains above regulatory guidelines for well capitalized banks. At December 31, 2022, the Bank had a total capital ratio of 13.37%. Book value per share at December 31, 2022 was \$13.36.

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. The Findley Reports named Pinnacle Bank a 2021 Super Premier performing bank.

For more information please go to www.pinnacle.bank click on Investor Relations and December 2022 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, Salinas and Campbell. For more information please go to www.pinnacle.bank click on Investor Relations and December 2022 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)*

	12/31/2022	9/30/2022	12/31/2021	Year over year change	
				\$	%
Total assets	\$ 755,653	\$ 781,242	\$ 737,833	\$ 17,820	2%
Gross loans	\$ 510,100	\$ 486,137	\$ 434,498	\$ 75,602	17%
Allowance for loan losses	\$ (5,085)	\$ (6,227)	\$ (6,194)	\$ 1,109	-18%
Non-interest bearing deposits	\$ 330,109	\$ 341,658	\$ 332,445	\$ (2,336)	-1%
Interest-bearing deposits	\$ 339,279	\$ 358,276	\$ 327,230	\$ 12,049	4%
Total deposits	\$ 669,388	\$ 699,934	\$ 659,675	\$ 9,713	1%
Shareholders' equity	\$ 73,687	\$ 69,698	\$ 66,407	\$ 7,280	11%

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

	Year ended	Year ended	Change	Change
	12/31/2022	12/31/2021	\$	%
Interest income	\$ 31,917	\$ 24,125	\$ 7,791	32.3%
Interest expense	2,017	1,046	971	92.8%
Net interest income	29,900	23,079	6,820	29.6%
Provision for loan losses	(1,150)	0	(1,150)	n/m
Non-interest income	2,901	7,085	(4,184)	-59.1%
Non-interest expense	22,016	19,240	2,775	14.4%
Income tax expense	3,482	3,174	308	9.7%
Net income (loss)	\$ 8,453	\$ 7,750	\$ 703	9.1%
Basic Earnings (loss) per share	\$1.55	\$1.45	\$0.10	6.9%
Diluted Earnings (loss) per share	\$1.52	\$1.42	\$0.10	7.0%
Book value per share	\$13.36	\$12.41	\$0.95	7.7%
Shares outstanding at period end	5,517,373	5,352,349	165,024	3.1%

Capital Ratios	12/31/2022	9/30/2022	12/31/2021	Minimum
				required to be well-capitalized
Tier 1 leverage ratio	9.89%	9.07%	9.09%	5.00%
Common Equity Tier 1 capital ratio	12.53%	12.22%	13.40%	6.50%
Tier 1 capital ratio	12.53%	12.22%	13.40%	8.00%
Total capital ratio	13.37%	13.28%	14.65%	10.00%

Nonperforming assets*(dollars in thousands)*

	12/31/2022	9/30/2022	12/31/2021
Nonperforming assets	\$ 1,167	\$ 1,103	\$ 83
Nonperforming assets to total assets	0.15%	0.14%	0.01%