



FOR IMMEDIATE RELEASE
PRESS RELEASE: October 29, 2020

Pinnacle Bank Announces Q3 2020 Results

Gilroy, CA – October 29, 2020 – OTCQB: PBNK - Pinnacle Bank, headquartered in Gilroy, California, announced today unaudited net income for the three months ended September 30, 2020 of \$1,348,000 compared to \$1,340,000 in the same period in 2019.

As of September 30, 2020, total assets were \$624.9 million, a 56% increase from the \$399.3 million at September 30, 2019.

Gross loans were \$502.1 million at September 30, 2020, an increase of \$173.1 million (53%) from the September 30, 2019 balance of \$329.1 million. Gross Paycheck Protection Program (PPP) loans at September 30, 2020 were \$125.6 million. Excluding the PPP loans, gross loans increased \$47.5 million or 14%. The allowance for loan losses at September 30, 2020 was \$5.885 million or 1.19% of loans (1.60% of loans excluding the PPP loans), compared to \$3.900 million or 1.21% of loans at September 30, 2019. Nonperforming assets totaled \$50,000 (0.01% of assets) at September 30, 2020 compared to \$56,000 at June 30, 2020 and \$886,000 at September 30, 2019.

Total deposits at September 30, 2020 increased to \$548.8 million from \$341.5 million at September 30, 2019, a 61% 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 provisions for loan losses in the three quarters of 2020 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 September 30, 2020 were both below September 30, 2019 levels. As of September 30, 2020, payment deferrals, generally for three months, were in place for 14 loans totaling \$24.5 million compared to 94 loans totaling \$114 million at June 30, 2020.

"Businesses in our communities continue to see growth opportunities during the pandemic. Loan growth excluding PPP loans of \$47.5 million or 14% in the last year, including \$18.2 million during the third quarter, reflects the region's economic strength and resiliency and the success of our relationship-based approach combined with our experienced bankers" stated Jeffrey Payne, President and CEO. "Our Silicon Valley office is expected to open in Q4 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 September 30, 2020, the Bank had a total capital ratio of 14.76%. Book value per share at September 30, 2020 was \$10.81. Net interest margin in the third quarter of 2020 was 3.42% compared to 5.42% 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 click on Investor Relations and September 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 click on Investor Relations and September 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)*

	9/30/2020	6/30/2020	9/30/2019	Year over year change	
				\$	%
Total assets	\$ 624,877	\$ 624,661	\$ 399,314	\$ 225,563	56%
Gross loans	\$ 502,122	\$ 483,963	\$ 329,053	\$ 173,069	53%
Allowance for loan losses	\$ (5,885)	\$ (5,419)	\$ (3,900)	\$ (1,985)	51%
Non-interest bearing deposits	\$ 244,858	\$ 261,949	\$ 155,254	\$ 89,604	58%
Interest-bearing deposits	\$ 303,961	\$ 288,264	\$ 186,252	\$ 117,710	63%
Total deposits	\$ 548,819	\$ 550,213	\$ 341,506	\$ 207,313	61%
Shareholders' equity	\$ 56,681	\$ 55,229	\$ 52,227	\$ 4,454	9%

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

	Quarter ended		Change	Quarter ended	
	9/30/2020	6/30/2020	%	9/30/2019	%
Interest income	\$ 5,576	\$ 5,251	6%	\$ 5,592	0%
Interest expense	486	524	-7%	491	-1%
Net interest income	5,090	4,727	8%	5,101	0%
Provision for loan losses	450	420	7%	180	150%
Non-interest income	1,370	823	66%	779	76%
Non-interest expense	4,074	3,579	14%	3,700	10%
Income tax expense	588	474	24%	660	-11%
Net income (loss)	\$ 1,348	\$ 1,077	25%	\$ 1,340	1%
Basic Earnings per share	\$ 0.26	\$ 0.21	24%	\$0.26	0%
Diluted Earnings per share	\$ 0.25	\$ 0.20	25%	\$0.25	0%
Book value per share	\$ 10.81	\$ 10.53	3%	\$ 10.00	8%
Shares outstanding at period end	5,242,743	5,242,743	0%	5,223,145	0%
Return on average assets	0.86%	0.77%		1.33%	
Return on average equity	9.55%	7.87%		10.22%	

Capital Ratios

	9/30/2020	6/30/2020	9/30/2019	Minimum required to be well-capitalized
Tier 1 leverage ratio	8.99%	9.91%	12.94%	5.00%
Common Equity Tier 1 capital ratio	13.50%	13.55%	14.36%	6.50%
Tier 1 capital ratio	13.50%	13.55%	14.36%	8.00%
Total capital ratio	14.76%	14.80%	15.45%	10.00%