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PINNACLE BANCSHARES ANNOUNCES RESULTS FOR SECOND QUARTER ENDED JUNE 30, 2023

Jasper, Alabama (August 14, 2023) – Robert B. Nolen, Jr., President and Chief Executive Officer of Pinnacle Bancshares, Inc. (OTCBB: PCLB), today announced the Company’s second quarter results of operations.

- For the three months ended June 30, 2023, net income was \$1,145,000 which resulted in basic/diluted earnings per share to be \$1.26. Net income for the three months ended June 30, 2022 was \$1,210,000, which resulted in basic/diluted earnings per share of \$1.25 per share.
- For the six months ended June 30, 2023, Pinnacle reported net income of \$2,325,000 which resulted in basic/diluted earnings per share to be \$2.56. Net income for the six months ended June 30, 2022 was \$2,320,000, which resulted in basic/diluted earnings per share of \$2.39 per share. Included in net income for the six months ended June 30, 2022 are Paycheck Protection Program (“PPP”) amortized loan fees of approximately \$190,000. There were no PPP amortized loan fees recorded during the six months ended June 30, 2023.
- For the three and six months ended June 30, 2023, return on average assets was 1.36%, and 1.38%, respectively, compared to 1.39% and 1.33%, respectively, in the comparable 2022 period.

The Company’s net interest margin was 3.35 and 3.43% for the three and six months ended June 30, 2023, respectively, as compared to 3.28% for the three and six months ended June 30, 2022. The Company anticipates that interest expense relating to its funding will continue to increase during the remainder of the year as a result of several factors such as increased deposit exception pricing and increased deposit migration to higher yielding deposit products.

Mr. Nolen commented, “In response to concerns about liquidity and capital strength related to bank failures that occurred earlier in the year, we remain confident in our risk status. Our primary focus is, and will continue to be, the Bank’s safety and soundness, and the protection of our depositors.”

At June 30, 2023, the Company’s allowance for loan losses as a percent of total loans was 2.13%, compared to 2.16% at December 31, 2022. Nonperforming assets were \$482,000 at June 30, 2023, compared to \$0 at December 31, 2022. The ratio of nonperforming assets to total loans was .41% and .00% at June 30, 2023. Effective January 1, 2023, the Company adopted the current expected credit loss (CECL) model to account for credit losses on financial instruments, including loans. The adoption of the CECL model did not have an impact on the Company’s loan loss reserve due to minimal net losses that have occurred during the past five years.

Pinnacle Bank was classified as “well capitalized” at June 30, 2023. All capital ratios are significantly higher than the requirements for a well-capitalized institution. As of June 30, 2023, the Bank’s common equity Tier 1 capital and Tier 1 risk-based capital ratios were each 17.66%. As of June 30, 2023, its total capital ratio was 18.74%, and its Tier 1 leverage ratio was 10.94%.

Management believes that the Company has ample liquidity through its low loan to deposit ratio at June 30, 2023, as well as available funding from outside sources. Our net funding availability, as a percentage of our franchise funding, is 103.75% as compared to our established minimal limit of 25%. In addition, the Bank provides access to additional FDIC insurance coverage for accounts that would otherwise exceed deposit insurance coverage. The Company also retested its Federal Funds line and other borrowing lines during the first half of 2023.

The Company's total deposits at June 30, 2023 decreased \$11.7 million, or 3.6%, as compared to December 31, 2022. As mentioned previously, pricing of deposits is anticipated to become more competitive during the remainder of the year, and thus deposits could continue to decrease as they did during the first half of 2023.

Effects of Inflation

Inflation caused a substantial rise in interest rates during 2022 which has had a negative effect in the securities market. As a result of rising interest rates, the Company recorded an accumulated other comprehensive loss on securities available for sale of approximately \$30.2 million as of December 31, 2022. The Company's other comprehensive loss as of June 30, 2023 has been lowered to \$27.9 million. Although these unrealized losses recorded as of June 30, 2023 and December 31, 2022 were significant, management does not anticipate these losses to be other than temporary as these unrealized losses do not currently appear related to any credit deterioration within the portfolio but from higher interest rates. In addition, these losses do not impact our regulatory capital ratios.

The Company conducts monthly internal stress testing scenarios of its liquidity to confirm that the Company continues to maintain ample liquidity.

Forward-Looking Statements

Information contained in this press release, other than historical information, may be considered forward-looking in nature and is subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. Pinnacle undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Pinnacle's expectations. Certain tabular presentations may not reconcile because of rounding.

Pinnacle Bancshares, Inc.'s wholly owned subsidiary Pinnacle Bank has seven offices located in central and northwest Alabama.

PINNACLE BANCSHARES, INC.
Unaudited Financial Highlights
(In Thousands, except share and per share data)

	Three Months Ended June 30,	
	2023	2022
Net income	\$ 1,145,000	\$ 1,210,000
Basic and diluted earnings per share	\$ 1.26	\$ 1.25
Performance ratios (annualized):		
Return on average assets	1.36%	1.39%
Return on average equity (excluding OCI)	12.30%	13.82%
Interest rate spread	3.04%	3.19%
Net interest margin	3.35%	3.28%
Operating cost to assets	2.25%	2.02%
Weighted average basic and diluted shares outstanding	909,534	969,445
Dividends per share	\$ 0.27	\$ 0.25
Provision for loan losses	\$ -	\$ -
	Six Months Ended June 30,	
	2023	2022
Net income	\$ 2,325,000	\$ 2,320,000
Basic and diluted earnings per share	\$ 2.56	\$ 2.39
Performance ratios (annualized):		
Return on average assets	1.38%	1.33%
Return on average equity (excluding OCI)	12.64%	13.30%
Interest rate spread	3.20%	3.20%
Net interest margin	3.43%	3.28%
Operating cost to assets	2.31%	2.03%
Weighted average basic and diluted shares outstanding	909,534	970,114
Dividends per share	\$ 0.54	\$ 0.50
Provision for loan losses	\$ -	\$ -
	June 30, 2023	(Audited) December 31, 2022
Total assets	\$ 338,114,000	\$ 332,718,000
Loans receivable, net	\$ 116,197,000	\$ 115,956,000
Deposits	\$ 310,540,000	\$ 322,261,000
Brokered CD's included in deposits	\$ 13,694,000	\$ 11,756,000
Total stockholders' equity	\$ 9,986,000	\$ 5,738,000
Book value per share (excluding OCI)	\$ 41.19	\$ 39.17
Total average stockholders' equity to assets ratio (excluding OCI)	10.95%	10.47%
Asset quality ratios:		
Nonperforming loans as a percent of total loans	.41%	.00%
Nonperforming assets as a percent of total loans	.41%	.00%
Allowance for loan losses as a percent of total loans	2.13%	2.16%

FINANCIAL INFORMATION

PINNACLE BANCSHARES, INC. CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	<i>(Unaudited)</i> June 30, 2023	<i>(Audited)</i> December 31, 2022
<u>Assets</u>		
Cash and cash equivalents	\$ 2,244,095	\$ 1,742,938
Interest bearing deposits in banks	19,423,428	12,185,982
Securities available for sale	167,661,860	170,580,649
Restricted equity securities	769,800	773,600
Loans	118,728,829	118,516,666
Less Allowance for loan losses	2,531,388	2,561,079
Loans, net	116,197,441	115,955,587
Premises and equipment, net	7,971,425	6,926,631
Right-of-use lease assets – operating	350,183	398,364
Goodwill	306,488	306,488
Bank owned life insurance	10,402,946	10,206,335
Accrued interest receivable	1,999,655	2,070,895
Deferred tax assets, net	9,884,589	10,594,339
Other assets	902,163	976,361
Total assets	\$ 338,114,073	\$ 332,718,169
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Noninterest-bearing	\$ 92,050,511	\$ 94,784,231
Interest-bearing	218,489,024	227,476,410
Total deposits	310,539,535	322,260,641
Subordinated debentures	3,093,000	3,093,000
Other borrowings	12,500,000	-
Accrued interest payable	474,757	111,652
Operating lease liabilities	350,183	398,364
Other liabilities	1,170,744	1,116,596
Total liabilities	328,128,219	326,980,253
Stockholders' equity		
Common stock, par value \$.01 per share; 2,400,000 authorized; 1,872,313 issued; 909,534 shares outstanding, respectively.	18,723	18,723
Additional paid-in capital	8,923,223	8,923,223
Treasury stock (962,779 shares, respectively)	(15,588,799)	(15,588,799)
Retained earnings	44,108,334	42,274,372
Accumulated other comprehensive loss, net of tax	(27,475,627)	(29,889,603)
Total stockholders' equity	9,985,854	5,737,916
Total liabilities and stockholders' equity	\$ 338,114,073	\$ 332,718,169

PINNACLE BANCSHARES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest income				
Loans, including fees	\$ 1,853,182	\$ 1,590,490	\$ 3,583,300	\$ 3,245,439
Securities available for sale	1,382,618	1,367,724	2,795,107	2,582,022
Other interest	194,438	35,438	338,294	45,759
Total interest income	<u>3,430,238</u>	<u>2,993,652</u>	<u>6,716,701</u>	<u>5,873,220</u>
Interest expense				
Deposits	382,578	125,070	609,629	231,305
Borrowings and repurchase agreements	138,121	-	140,330	-
Subordinated debentures	39,050	36,710	78,100	75,310
Total interest expense	<u>559,749</u>	<u>161,780</u>	<u>828,059</u>	<u>306,615</u>
Net interest income	2,870,489	2,831,872	5,888,642	5,566,605
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	<u>2,870,489</u>	<u>2,831,872</u>	<u>5,888,642</u>	<u>5,566,605</u>
Other income				
Fees and service charges on deposit accounts	389,931	382,786	752,226	740,619
Service fee income, net	716	811	1,487	1,697
Bank owned life insurance	97,806	95,973	196,612	191,946
Mortgage fee income	5,065	12,887	10,768	27,248
Total other income	<u>493,518</u>	<u>492,457</u>	<u>961,093</u>	<u>961,510</u>
Other expense:				
Salaries and employee benefits	1,100,851	1,026,255	2,236,649	2,051,838
Occupancy expense	216,178	203,934	456,339	433,556
Marketing and professional expense	67,772	63,764	136,591	128,665
Other operating expenses	506,441	467,623	1,049,113	929,464
Total other expenses	<u>1,891,242</u>	<u>1,761,576</u>	<u>3,878,692</u>	<u>3,543,523</u>
Income before income taxes	1,472,765	1,562,753	2,971,043	2,984,592
Income tax expense	<u>327,829</u>	<u>353,134</u>	<u>645,934</u>	<u>664,213</u>
Net income	<u>\$ 1,144,936</u>	<u>\$ 1,209,619</u>	<u>\$ 2,325,109</u>	<u>\$ 2,320,379</u>
Cash dividend per share	<u>\$ 0.27</u>	<u>\$ 0.25</u>	<u>\$ 0.54</u>	<u>\$ 0.50</u>
Basic and diluted earnings per share	<u>\$ 1.26</u>	<u>\$ 1.25</u>	<u>\$ 2.56</u>	<u>\$ 2.39</u>
Weighted –average basic and diluted shares outstanding	<u>909,534</u>	<u>969,445</u>	<u>909,534</u>	<u>970,114</u>

PINNACLE BANCSHARES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2023 and 2022

	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Stock</u>	<u>Earnings</u>	<u>Other</u>	<u>Stockholders'</u>
			<u>Capital</u>			<u>Income</u>	<u>Equity</u>
Balance December 31, 2021	1,872,313	\$ 18,723	\$ 8,923,223	\$ (13,533,621)	\$ 38,710,339	\$ 1,540,479	\$ 35,659,143
Net income	-	-	-	-	2,320,379	-	2,320,379
Cash dividends declared (\$.50 per share)	-	-	-	-	(485,395)	-	(485,395)
Purchase of treasury stock	-	-	-	(2,055,178)	-	-	(2,055,178)
Other comprehensive loss	-	-	-	-	-	(24,825,029)	(24,825,029)
Balance June 30, 2022	1,872,313	\$ 18,723	\$ 8,923,223	\$ (15,588,799)	\$ 40,545,323	\$ (23,284,550)	\$ 10,613,920

	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Stock</u>	<u>Earnings</u>	<u>Comprehensive</u>	<u>Stockholders'</u>
			<u>Capital</u>			<u>Loss</u>	<u>Equity</u>
Balance December 31, 2022	1,872,313	\$ 18,723	\$ 8,923,223	\$ (15,588,799)	\$ 42,274,372	\$ (29,889,603)	\$ 5,737,916
Net income	-	-	-	-	2,325,109	-	2,325,109
Cash dividends declared (\$.54 per share)	-	-	-	-	(491,147)	-	(491,147)
Other comprehensive income	-	-	-	-	-	2,413,976	2,413,976
Balance June 30, 2023	1,872,313	\$ 18,723	\$ 8,923,223	\$ (15,588,799)	\$ 44,108,334	\$ (27,465,627)	\$ 9,985,854

PINNACLE BANCSHARES, INC,

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended	
	June 30,	
	2023	2022
OPERATING ACTIVITIES:		
Net income	\$ 2,325,109	\$ 2,320,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	199,301	220,219
Net investment amortization expense	85,736	121,027
Bank owned life insurance	(196,612)	(191,946)
(Increase) decrease in accrued interest receivable	71,241	(51,994)
Increase in accrued interest payable	363,105	14,859
Net other operating activities	(9,928)	(128,162)
Net cash provided by operating activities	<u>2,837,952</u>	<u>2,304,382</u>
INVESTING ACTIVITIES:		
Net (increase) decrease in loans	(241,853)	3,765,214
Net (increase) decrease in interest bearing deposits in other banks	(7,237,446)	202,984
Purchase of securities available for sale	-	(32,299,292)
Proceeds from maturing, sale and payments received on securities available for sale	6,094,227	3,958,469
Net (purchase) redemption of restricted equity securities	3,800	(32,000)
Purchase of premises and equipment	(1,244,094)	(205,952)
Net cash used in investing activities	<u>(2,625,366)</u>	<u>(24,610,577)</u>
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	(11,720,282)	25,142,388
Proceeds from other borrowings	16,100,000	-
Repayments of other borrowings	(3,600,000)	-
Purchase of treasury stock	-	(2,055,178)
Payments of cash dividends	(491,147)	(485,395)
Net cash provided by financing activities	<u>288,571</u>	<u>22,601,815</u>
Net increase in cash and cash equivalents	501,157	295,620
Cash and cash equivalents at beginning of period	<u>1,742,938</u>	<u>1,730,327</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,244,095</u></u>	<u><u>\$ 2,025,947</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 464,954	\$ 291,756
Taxes	\$ 604,928	\$ 677,568
OTHER NONCASH TRANSACTIONS		
Real estate acquired through foreclosure	\$ -	\$ -
Internally financed sales of other real estate owned	\$ -	\$ -