

Contact: Joe B. Adams, III
Chief Financial Officer
(205) 221-8866

**PINNACLE BANCSHARES ANNOUNCES RESULTS FOR
FIRST QUARTER ENDED MARCH 31, 2023**

Jasper, Alabama (May 4, 2023) – Robert B. Nolen, Jr., President and Chief Executive Officer of Pinnacle Bancshares, Inc. (OTCBB: PCLB), today announced the Company’s results of operations for the first quarter ended March 31, 2023:

- For the three months ended March 31, 2023, net income was \$1,180,000 which resulted in basic/diluted earnings per share to be \$1.30. Net income for the three months ended March 31, 2022 was \$1,111,000, which resulted in basic/diluted earnings per share of \$1.14 per share. Included in net income for the three months ended March 31, 2022 are Paycheck Protection Program (“PPP”) amortized loan fees of approximately \$120,000. There were no PPP amortized loan fees recorded during the three months ended March 31, 2023.
- For the three months ended March 31, 2023, return on average assets was 1.43%, compared to 1.29% in the comparable 2022 period.

The Company’s net interest margin was 3.56% for the three months March 31, 2023, compared to 4.06% for the three months ended March 31, 2022. The Company anticipates interest expense relating to its funding 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 recent bank failures, 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 March 31, 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. There were no nonperforming assets at March 31, 2023 as well as at December 31, 2022. 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 March 31, 2023. All capital ratios are significantly higher than the requirements for a well-capitalized institution. As of March 31, 2023, the Bank’s common equity Tier 1 capital and Tier 1 risk-based capital ratios were each 17.14%. As of March 31, 2023, its total capital ratio was 18.36%, and its Tier 1 leverage ratio was 10.70%.

Management believes that the Company has ample liquidity through its low loan to deposit ratio at March 31, 2023, as well as available funding from outside sources. Our net funding availability, as a percentage of our franchise funding, is 105.37% 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 quarter 2022.

The Company's total deposits at March 31, 2023 decreased \$5.6 million, or less than 2%, 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 quarter 2023.

Dividends of \$.27 per share were paid to shareholders during the first quarter of 2023 and \$.25 per share during the first quarter 2022.

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 has recorded an accumulated other comprehensive loss on securities available for sale of approximately \$30.2 million as of December 31, 2022. Longer term interest rates have decreased slightly during the first quarter of 2023 which has caused the Company's other comprehensive loss as of March 31, 2023 to be lowered to \$27.6 million. Although these unrealized losses recorded as of March 31, 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. The Company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company'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.
AND SUBSIDIARY**

UNAUDITED FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,	
	2023	2022
Net Income	\$ 1,180,000	\$ 1,111,000
Weighted average basic shares outstanding	909,534	970,791
Weighted average diluted shares outstanding	909,534	970,791
Dividend per share	\$.27	\$.25
Provision for loan losses	\$ -	\$ -
Basic and diluted earnings per share	\$ 1.30	\$ 1.14
Performance Ratios: (annualized)		
Return on average assets	1.43%	1.29%
Return on average equity	13.17%	12.96%
Interest rate spread	3.40%	4.01%
Net interest margin	3.56%	4.06%
Operating cost to assets	2.40%	2.06%
		(Audited)
	March 31, 2023	December 31, 2022
Total assets	\$ 334,424,000	\$ 332,718,000
Loans receivable, net	\$ 117,246,000	\$ 115,956,000
Deposits	\$ 316,620,000	\$ 322,261,000
Brokered CD's included in deposits	\$ 11,759,000	\$ 11,756,000
Total stockholders' equity	\$ 9,267,000	\$ 5,738,000
Weighted average book value per share (excluding OCI)	\$ 40.26	\$ 39.17
Total average stockholders' equity to asset ratio (excluding OCI)	10.83%	10.47%
Asset Quality Ratios:		
Nonperforming loans as a percent of total loans	.00%	.00%
Nonperforming assets as a percent of total loans	.00%	.00%
Allowance for loan losses as a percent of total loans	2.13%	2.16%

**PINNACLE BANCSHARES, INC.
AND SUBSIDIARY**

CONDENSED CONSOLIDATED STATEMENTS OF CONDITION

	(Unaudited) March 31, 2023	(Audited) December 31, 2022
<u>Assets</u>		
Cash and cash equivalents	\$ 1,986,894	\$ 1,742,938
Interest bearing deposits in banks	12,217,148	12,185,982
Securities available for sale	171,648,773	170,580,649
Restricted equity securities	769,800	773,600
Loans	119,802,122	118,516,666
Less allowance for loan losses	<u>2,555,754</u>	<u>2,561,079</u>
Loans, net	<u>117,246,368</u>	<u>115,955,587</u>
Premises and equipment, net	7,345,151	6,926,631
Operating right-of-use lease assets	374,202	398,364
Goodwill	306,488	306,488
Bank owned life insurance	10,305,140	10,206,335
Accrued interest receivable	1,537,460	2,070,895
Deferred tax assets, net	9,801,027	10,594,339
Other assets	<u>885,332</u>	<u>976,361</u>
Total assets	<u>\$ 334,423,783</u>	<u>\$ 332,718,169</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits:		
Noninterest-bearing	\$ 98,227,386	\$ 94,784,231
Interest-bearing	<u>218,392,427</u>	<u>227,476,410</u>
Total deposits	316,619,813	322,260,641
Subordinated debentures	3,093,000	3,093,000
Other borrowings	3,600,000	-
Accrued interest payable	161,286	111,652
Operating lease liabilities	374,202	398,364
Other liabilities	<u>1,308,928</u>	<u>1,116,596</u>
Total liabilities	<u>325,157,229</u>	<u>326,980,253</u>
Stockholders' equity		
Common stock, \$.01 par value, 2,400,000 shares authorized; 1,872,313 shares issued; 909,534 shares outstanding	18,723	18,723
Additional paid-in capital	8,923,223	8,923,223
Treasury stock, at cost (962,779 shares)	(15,588,799)	(15,588,799)
Retained earnings	43,208,971	42,274,372
Accumulated other comprehensive loss, net of tax	<u>(27,295,564)</u>	<u>(29,889,603)</u>
Total stockholders' equity	<u>9,266,554</u>	<u>5,737,916</u>
Total liabilities and stockholders' equity	<u>\$ 334,423,783</u>	<u>\$ 332,718,169</u>

**PINNACLE BANCSHARES, INC.
AND SUBSIDIARY**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Interest income		
Loans, including fees	\$ 1,730,118	\$ 1,654,949
Taxable securities	1,368,748	1,179,914
Nontaxable securities	43,741	34,384
Other interest	143,856	10,321
Total interest income	<u>3,286,463</u>	<u>2,879,568</u>
Interest expense		
Deposits	227,051	106,235
Subordinated debentures	39,050	38,600
Other borrowings	2,209	-
Total interest expense	<u>268,310</u>	<u>144,835</u>
Net interest income	3,018,153	2,734,733
Provision for loan losses	-	-
Net interest income after provision for loan losses	<u>3,018,153</u>	<u>2,734,733</u>
Other income		
Fees and service charges on deposit accounts	362,295	357,833
Servicing fee income, net	771	886
Bank owned life insurance	98,806	95,973
Mortgage fee income	5,703	14,361
Total other income	<u>467,575</u>	<u>469,053</u>
Other expenses		
Salaries and employee benefits	1,135,798	1,025,583
Occupancy expenses	240,161	229,622
Marketing and professional expenses	68,819	64,901
Other operating expenses	542,672	461,841
Total other expenses	<u>1,987,450</u>	<u>1,781,947</u>
Income before income taxes	1,498,278	1,421,839
Income tax expense	<u>318,105</u>	<u>311,079</u>
Net income	<u>\$ 1,180,173</u>	<u>\$ 1,110,760</u>
Basic and diluted earnings per share	<u>\$ 1.30</u>	<u>\$ 1.14</u>
Cash dividends per share	<u>\$ 0.27</u>	<u>\$ 0.25</u>
Weighted-average basic and diluted shares outstanding	<u>909,534</u>	<u>970,791</u>

**PINNACLE BANCSHARES, INC.
AND SUBSIDIARY**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Months Ended March 31, 2023 and 2022**

	Common Stock		Additional	Treasury	Retained	Accumulated	Total
	Shares	Par Value	Paid-in Capital	Stock	Earnings	Other Comprehensive Income (Loss)	Stockholders' Equity
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	-	-	-	-	1,110,760	-	1,110,760
Cash dividends declared, \$0.25 per share	-	-	-	-	(242,697)	-	(242,697)
Other comprehensive loss	-	-	-	-	-	(12,676,357)	(12,676,357)
Balance, March 31, 2022	<u>1,872,313</u>	<u>\$ 18,723</u>	<u>\$ 8,923,223</u>	<u>\$ (13,533,621)</u>	<u>\$ 39,578,402</u>	<u>\$ (11,135,878)</u>	<u>\$ 23,850,849</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	-	-	-	-	1,180,173	-	1,180,173
Cash dividends declared, \$0.27 per share	-	-	-	-	(245,574)	-	(245,574)
Other comprehensive income	-	-	-	-	-	2,594,039	2,594,039
Balance, March 31, 2023	<u>1,872,313</u>	<u>\$ 18,723</u>	<u>\$ 8,923,223</u>	<u>\$ (15,588,799)</u>	<u>\$ 43,208,971</u>	<u>\$ (27,295,564)</u>	<u>\$ 9,266,554</u>

**PINNACLE BANCSHARES, INC.
AND SUBSIDIARY**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2023 and 2022**

	2023	2022
OPERATING ACTIVITIES		
Net income	\$ 1,180,173	\$ 1,110,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	99,981	115,917
Net amortization of securities	41,914	71,700
Bank owned life insurance	(98,806)	(95,973)
Decrease in accrued interest receivable	533,436	459,021
Increase in accrued interest payable	49,634	14,902
Net other operating activities	86,332	265,363
Net cash provided by operating activities	1,892,664	1,941,690
INVESTING ACTIVITIES		
Net (increase) decrease in loans	(1,290,780)	2,226,066
Net increase in interest-bearing deposits in banks	(31,166)	(5,964,788)
Purchase of securities available for sale	-	(20,435,341)
Proceeds from maturing or callable securities available for sale	2,473,516	1,154,225
Net (purchase) redemption of restricted equity securities	3,800	(32,000)
Purchase of premises and equipment	(518,500)	(29,939)
Net cash provided by (used in) investing activities	636,870	(23,081,777)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(5,640,004)	21,721,580
Net increase in other borrowings	3,600,000	-
Payment of cash dividends	(245,574)	(242,697)
Net cash provided by (used in) financing activities	(2,285,578)	21,478,883
Net increase in cash and cash equivalents	243,956	338,796
Cash and cash equivalents at beginning of year	1,742,938	1,730,327
Cash and cash equivalents at end of year	\$ 1,986,894	\$ 2,069,123
SUPPLEMENTAL DISCLOSURE		
Cash paid during the year for:		
Interest	\$ 218,676	\$ 129,933
Taxes	\$ -	\$ -
OTHER NONCASH TRANSACTIONS		
Real estate acquired through foreclosure	\$ -	\$ -