

## **Pinnacle Bancshares Announces Results for Second Quarter Ended June 30, 2018**

July 12, 2018 10:55 AM Eastern Daylight Time

JASPER, Ala.--([BUSINESS WIRE](#))--Robert B. Nolen, Jr., President and Chief Executive Officer of Pinnacle Bancshares, Inc. (OTC Pink: PCLB), today announced Pinnacle's second quarter results of operations.

- For the three months ended June 30, 2018, Pinnacle reported net income of \$643,000 compared to \$560,000 for the three months ended June 30, 2017. Pre-tax income for the three months ended June 30, 2018 increased 8.3% from the three months ended June 30, 2017.
- For the six months ended June 30, 2018, Pinnacle reported net income of \$1,256,000 compared to \$1,099,000 for the six months ended June 30, 2017. Pre-tax income for the three months ended June 30, 2018 increased 8.8% from the three months ended June 30, 2017.
- Net interest income after the provision for loan losses for the three and six months ended June 30, 2018, was \$1,918,000 and \$3,785,000, respectively, compared with \$1,799,000 and \$3,577,000 respectively, in the same periods last year.
- Basic and diluted earnings per share for the three and six months ended June 30, 2018 were \$0.62 and \$1.20 per share, respectively, compared to \$0.54 and \$1.05 per share, respectively, for the same periods last year. The basic and diluted earnings per share for the three and six months ended June 30, 2017 would have been \$.00 and \$.00, respectively, if the net-tax effect of the gain on sales were excluded from earnings.
- For the three and six months ended June 30, 2018, return on average assets was 1.15%, and 1.12%, respectively, compared to .99% and .98%, respectively, in the comparable 2017 period. The Bank's effective income tax rate decline from approximately 23% to 16% as a result of the tax law change.

Pinnacle's net interest margin was 3.74% and 3.67% for the three and six months ended June 30, 2018, respectively, compared to 3.45% and 3.46% for the three and six months ended June 30, 2017, respectively.

At June 30, 2018, Pinnacle's allowance for loan losses as a percent of total loans was 1.55%, compared to 1.68% at December 31, 2017. At June 30, 2018, the allowance for loan losses as a percent of nonperforming loans was 406.30%, compared to 670.42% at December 31, 2017. Nonperforming assets were \$397,000 at June 30, 2018, compared to \$281,000 at December 31, 2017. The ratio of nonperforming assets to total loans was .38% at June 30, 2018, compared to .29% at December 31, 2017. In addition, all capital ratios are significantly higher than the requirements for a well-capitalized institution.

Dividends of \$.11 and \$.22 per share were paid to shareholders during the three and six months ended for both June 30, 2018, and 2017.

### ***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)*

	<b>Three Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net income	\$ 643,000	\$ 560,000
Basic and diluted earnings per share	\$ 0.62	\$ 0.54
Performance ratios (annualized):		
Return on average assets	1.15%	.99%
Return on average equity	9.45%	9.09%
Interest rate spread	3.61%	3.35%
Net interest margin	3.74%	3.45%
Operating cost to assets	2.84%	2.63%

## Weighted average basic and diluted shares

outstanding	1,043,505	1,043,505
Dividends per share	\$ 0.11	\$ 0.11
Provision for loan losses	\$ -	\$ -

	<b>Six Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net income	\$ 1,256,000	\$ 1,099,000
Basic and diluted earnings per share	\$ 1.20	\$ 1.05

## Performance ratios (annualized):

Return on average assets	1.12%	.98%
Return on average equity	9.44%	9.00%
Interest rate spread	3.55%	3.35%
Net interest margin	3.67%	3.46%
Operating cost to assets	2.80%	2.66%

## Weighted average basic and diluted shares

outstanding	1,043,505	1,043,505
Dividends per share	\$ 0.22	\$ 0.22
Provision for loan losses	\$ -	\$ -

		(Audited)
	June 30, 2018	December 31, 2017
Total assets	\$221,472,000	\$ 217,836,000
Loans receivable, net	\$102,224,000	\$ 94,204,000
Deposits	\$191,560,000	\$ 186,327,000
Brokered CD's included in deposits	\$ -	\$ -
Other borrowings	\$ -	\$ 1,500,000
Total stockholders' equity	\$ 25,939,000	\$ 26,013,000
Book value per share	\$ 24.86	\$ 24.93
Stockholders' equity to assets ratio	11.01%	11.16%
Asset quality ratios:		
Nonperforming loans as a percent of total loans	.38%	.29%
Nonperforming assets as a percent of total loans	.38%	.29%
Allowance for loan losses as a percent of total loans	1.55%	1.68%
Allowance for loan losses as a percent of nonperforming loans	406.30%	670.42%

# FINANCIAL INFORMATION

## PINNACLE BANCSHARES, INC.

### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	<i>(Unaudited)</i> June 30, 2018	<i>(Audited)</i> December 31, 2018
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,790,307	\$ 1,871,452
Interest bearing deposits in banks	2,859,897	2,266,004
Securities available for sale	95,433,552	100,881,539
Restricted equity securities	763,500	805,500
 Loans	 103,837,762	 95,812,552
Less Allowance for loan losses	1,613,305	1,608,804
Loans, net	102,224,457	94,203,748
 Premises and equipment, net	 6,351,161	 6,236,854
Goodwill	306,488	306,488
Bank owned life insurance	9,387,351	9,220,161
Accrued interest receivable	1,190,238	1,228,374
Other assets	1,164,898	816,288
<b>Total assets</b>	<b>\$221,471,849</b>	<b>\$217,836,408</b>
 <b><u>Liabilities and Stockholders' Equity</u></b>		
Deposits		
Noninterest-bearing	\$ 58,467,735	\$ 55,154,929
Interest-bearing	133,091,870	131,172,551
Total deposits	191,559,605	186,327,480
 Other borrowings	 -	 1,500,000
Federal funds purchased	-	100,000
Subordinated debentures	3,093,000	3,093,000
Accrued interest payable	118,512	79,893
Other liabilities	761,477	722,887

<b>Total liabilities</b>	<u>195,532,594</u>	<u>191,823,260</u>
Stockholders' equity		
Common stock, par value \$.01 per share; 2,400,000 authorized; 1,872,313 issued; 1,043,505 shares outstanding, respectively	18,723	18,723
Additional paid-in capital	8,923,223	8,923,223
Treasury stock (828,028 shares)	(11,464,104)	(11,464,104)
Retained earnings	29,233,449	28,206,925
Accumulated other comprehensive income (loss), net of tax	<u>(772,036)</u>	<u>328,381</u>
<b>Total stockholders' equity</b>	<u>25,939,255</u>	<u>26,013,148</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$221,471,849</u></u>	<u><u>\$218,836,408</u></u>

**PINNACLE BANCSHARES, INC.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Interest income</b>				
Loans, including fees	\$1,320,707	\$1,137,065	\$2,578,700	\$2,258,019
Securities available for sale	716,643	763,816	1,443,025	1,543,018
Other interest	28,584	35,688	58,646	55,043
<b>Total interest income</b>	<u>2,065,934</u>	<u>1,936,569</u>	<u>4,080,371</u>	<u>3,856,080</u>
<b>Interest expense</b>				
Deposits	97,837	106,168	188,585	213,777
Borrowings and repurchase agreements	10,523	-	76,300	2,883
Subordinated debentures	39,800	31,000	30,055	61,800
<b>Total interest expense</b>	<u>148,160</u>	<u>137,168</u>	<u>294,940</u>	<u>278,460</u>
<b>Net interest income</b>	1,917,774	1,799,401	3,785,431	3,577,620
Provision for loan losses	-	-	-	-
<b>Net interest income after provision for loan losses</b>	<u>1,917,774</u>	<u>1,799,401</u>	<u>3,785,431</u>	<u>3,577,620</u>
<b>Other income</b>				
Fees and service charges on deposit accounts	339,069	309,336	667,112	611,322
Service fee income, net	2,086	3,135	4,289	6,460
Bank owned life insurance	83,595	83,186	167,190	166,372
Mortgage fee income	10,305	5,528	15,304	5,228
Net gain on sale of real estate owned	597	-	597	-
Net gain on securities available for sale	-	-	1,689	-
<b>Total other income</b>	<u>435,652</u>	<u>401,185</u>	<u>856,181</u>	<u>789,382</u>

**Other expense:**

Salaries and employee benefits	917,737	817,766	1,806,875	1,659,938
Occupancy expense	218,110	238,117	441,966	459,632
Marketing and professional expense	44,753	49,633	85,784	93,363
Other operating expenses	402,537	383,683	802,931	771,751
<b>Total other expenses</b>	<u>1,583,137</u>	<u>1,489,199</u>	<u>3,137,556</u>	<u>2,984,684</u>
<b>Income before income taxes</b>	770,289	711,387	1,504,056	1,382,318
<b>Income tax expense</b>	<u>127,646</u>	<u>151,163</u>	<u>247,961</u>	<u>283,684</u>
<b>Net income</b>	<u>\$ 642,643</u>	<u>\$ 560,224</u>	<u>\$1,256,095</u>	<u>\$1,098,634</u>
<b>Cash dividend per share</b>	<u>\$ 0.11</u>	<u>\$ 0.11</u>	<u>\$ 0.22</u>	<u>\$ 0.22</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 0.62</u>	<u>\$ 0.54</u>	<u>\$ 1.20</u>	<u>\$ 1.05</u>
<b>Weighted –average basic and diluted shares outstanding</b>	<u>1,043,505</u>	<u>1,043,505</u>	<u>1,043,505</u>	<u>1,043,505</u>



PINNACLE BANCSHARES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS

Six Months Ended June 30, 2018 and 2017

	Common Stock		Additional	Treasury	Retained
	Shares	Amount	Paid-in	Stock	Earnings
			Capital		
<b>Balance</b>					
<b>December 31,</b>					
<b>2016</b>	1,872,313	\$18,723	\$8,923,223	\$(11,464,104)	\$26,417,216
Net income	-	-	-	-	1,098,634
Cash dividends declared (\$.22 per share)	-	-	-	-	(229,572)
Other comprehensive income	-	-	-	-	-
<b>Balance June</b>					
<b>30, 2017</b>	1,872,313	\$18,723	\$8,923,223	\$(11,464,104)	\$27,286,278

	Common Stock		Additional	Treasury	Retained
	Shares	Amount	Paid-in	Stock	Earnings
			Capital		
<b>Balance</b>					
<b>December 31,</b>					
<b>2017</b>	1,872,313	\$18,723	\$8,923,223	\$(11,464,104)	\$28,206,925
Net income	-	-	-	-	1,256,095
Cash dividends declared (\$.22 per share)	-	-	-	-	(229,571)
Other comprehensive loss	-	-	-	-	-

**Balance June**

**30, 2018**

1,872,313

\$18,723

\$8,923,223

\$(11,464,104)

\$29,233,449

**PINNACLE BANCSHARES, INC.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 1,256,095	\$ 1,098,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	187,033	175,341
Net investment amortization expense	213,976	257,001
Bank owned life insurance	(167,190)	(166,372)
Gain on sale of securities available for sale	(1,689)	-
Gain on sale of or write-down of real estate owned	(597)	-
Decrease in accrued interest receivable	38,136	34,604
Increase (decrease) in accrued interest payable	38,619	(602)
Net other operating activities	35,443	(331,980)
Net cash provided by operating activities	<u>1,599,826</u>	<u>1,066,626</u>
<b>INVESTING ACTIVITIES:</b>		
Net (increase) decrease in loans	(8,020,709)	196,860
Net increase in interest bearing deposits in other banks	(593,893)	(14,653,837)
Purchase of securities available for sale	(3,059,606)	(2,040,054)
Proceeds from sale of securities available for sale	501,689	-
Proceeds from maturing, sale and payments received on securities available for sale	6,306,566	4,793,950
Net (purchase) redemption of restricted equity securities	42,000	(83,400)
Purchase of premises and equipment	(301,340)	(660,806)
Proceeds from sales of real estate owned	41,768	-
Net cash used in investing activities	<u>(5,083,525)</u>	<u>(12,447,287)</u>
<b>FINANCING ACTIVITIES:</b>		
Net increase in deposits	5,232,125	11,574,226
Net decrease in other borrowings	(1,500,000)	-
Net decrease in federal funds purchased	(100,000)	-

Payments of cash dividends	(229,571)	(229,572)
Net cash provided by financing activities	3,402,554	11,344,654
<b>Net decrease in cash and cash equivalents</b>	(81,145)	(36,007)
Cash and cash equivalents at beginning of period	1,871,452	1,698,936
Cash and cash equivalents at end of period	\$ 1,790,307	\$ 1,662,929

**SUPPLEMENTAL DISCLOSURES:**

Cash paid during the period for:

Interest	\$ 256,321	\$ 279,062
Taxes	\$ 236,436	\$ 332,569

**OTHER NONCASH TRANSACTIONS**

Real estate acquired through foreclosure	\$ -	\$ -
Internally financed sales of other real estate owned	\$ -	\$ -

**Contacts**

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Chief Financial Officer

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