



COMMUNITY BANCORP OF SANTA MARIA

January 19, 2021

To Our Valued Shareholders,

We are pleased to share with you the following 2020 year-end financial highlights.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Percentage Increase</u>
Net Loans	\$236,602,000	\$183,627,000	28.8%
Total Deposits	\$307,605,000	\$234,863,000	31.0%
Total Assets	\$338,796,000	\$263,465,000	28.6%
Net Income	\$ 2,209,293	\$ 2,731,117	-19.1%

While the extraordinary growth numbers presented above were bolstered by the Bank's participation in the Paycheck Protection Program ('PPP'), the percentage increases in Total Deposits and Total Assets continued to grow despite the end of that program. We attribute this to growth in our customer base. We were able to differentiate ourselves even further from our competition in our response to PPP loan demand, and as a result, captured more market share and developed new, loyal customers.

As reported above Net Income did decline, however Total Income increased 4.3%. The recognition of some of the fee income from PPP loans helped offset the decline in interest rates, contributing to the increase in income. The expense increases we experienced in 2020 are primarily attributed to the pandemic. They include software to process PPP loans, additional salary expense to support keeping branches open and fully staffed, and additional provisions to loan loss reserves to account for uncertain economic conditions. Some of these expenses will be recouped over time as more fee income on PPP loans is recognized. And now the second round of PPP loans is under way, and we are again a participating lender. At this point it is difficult to gauge how much we will do, but we will certainly keep you apprised in these newsletters. As a reminder, we did over 450 loans for a total of \$57.6 million in the first round.

Just like all of you, we navigated uncharted waters in 2020. We are proud of our staff, and proud of the response we provided our community. And we're proud to have positive news to report to you, our shareholders, including producing earnings per share of \$1.02 and a cash dividend of \$0.15 per share. As we look forward to 2021, we look with confidence and optimism. Our balance sheet is strong, and our momentum is growing. Below we have updated our financial goals for 2021. They are not what we anticipated them to be just a year ago, but they are realistic given the uncertainty we continue to face. Despite the uncertainty, we are optimistic the vaccine and the new round of stimulus will help us all charter the waters to recovery.

In closing, we want to thank you for your continued support. We value you as a shareholder, and ask that you please refer your family, friends and business associates to *your* bank for all their banking needs.

Sincerely,

Janet Silveria
President
Chief Executive Officer

	<u>ACTUAL</u>	<u>YEAR-END GOALS</u>	
	<u>12/31/20¹</u>	<u>2020</u>	<u>2021</u>
Return on Average Assets	0.72%	1.05%	0.80%
Return on Average Equity	8.19%	11.00%	9.25%

¹ Annualized