



COMMUNITY BANCORP OF SANTA MARIA

P.O. Box 5307, Santa Maria, CA 93456 • (805) 922-2900

October 20, 2020

To Our Valued Shareholders,

We are pleased to share with you the financial highlights for the Third Quarter, 2020.

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>Percentage Increase</u>
Net Loans	\$245,334,000	\$182,160,000	34.7%
Total Deposits	\$296,526,000	\$233,336,000	27.1%
Total Assets	\$327,624,000	\$263,967,000	24.1%
Net Income	\$ 1,688,097	\$ 2,006,745	-15.9%

We wish to acknowledge the extraordinary growth numbers presented above were bolstered by the Bank's participation in the Paycheck Protection Program ('PPP') offered by the Small Business Administration ('SBA') under the CARES Act. As of September 30, 2020 the Bank had funded 461 PPP loans for a total of \$57.6 million. The Bank's ability to process and fund PPP loans expeditiously, while maintaining close contact with the applicant, differentiated us from the competition. As a result, we successfully moved entire new relationships, grew our customer base, and captured more market share. In other words, we took advantage of an opportunity to harvest our next generation of loyal Community Bank of Santa Maria customers. This contributed to the Total Asset and Total Deposit growth shown above and will serve us well both in the short- and long-term.

While we saw a decline in Net Income, Total Income did increase over last year. Total Income year-to-date as of September 30, 2020 was \$9.460 million, versus \$9.286 million as of September 30, 2019. This is despite a 150 basis point decline in interest rates. However, expenses increased over \$600,000, which were primarily pandemic related. More specifically, we increased our frontline staff in order to keep our branches open, increased our loan loss reserves due to economic uncertainty, purchased new software to assist with processing PPP loans, and purchased enhanced cleaning services and protective gear to keep our staff and customers safe. In reference to the latter, our efforts are apparently successful, because we have not experienced an outbreak at Community Bank of Santa Maria. We anticipate recouping some of those extraordinary expenses as PPP loans qualify for forgiveness, and we recognize fee income paid by the SBA. We originally anticipated most loans to qualify and pay off in the 4th quarter, but the SBA has been slower to process the applications than we anticipated. We now expect much of that fee income may not be recognized until the first quarter, 2021.

We remain optimistic about our ability to weather the pandemic. We have significantly increased our customer base, credit quality remains strong, and we have sufficient capital to see us through an economic downturn. That said, the changes in the interest rate environment, and the unexpected impacts of a pandemic, has caused us to adjust our original strategic plan for 2020. At the bottom of this letter we have provided the relevant financial ratios, our adjusted goals, and the goals as originally disclosed. Our ability to achieve our revised 2020 goals relies largely on how much of the fee income we can recognize on the PPP loans this year. As this current environment plays out into next year, our goals beyond 2020 will likely be adjusted, but for now, we are committed to stay the course.

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. And especially during this challenging time, if there is any way we may assist you or any of your friends or colleagues, please don't hesitate to give us a call. We are here to help.

Sincerely,

Janet Silveria
President
Chief Executive Officer

	<u>ACTUAL</u>	<u>YEAR-END GOALS</u>	
	<u>09/30/20¹</u>	<u>Revised</u>	<u>Original</u>
		<u>2020</u>	<u>2020</u>
Return on Average Assets	0.75%	1.05%	1.15%
Return on Average Equity	8.55%	11.0%	11.5%

¹ Annualized