Bank of Southern California Announces Fourth Quarter and Year End 2019 Results

Fourth Quarter 2020 Highlights

- Announced plan of merger with CalWest Bancorp, expected to close in Q2 2020
- Announced completion of capital offering and plans to form Holding Company

San Diego, January 29, 2020 – Bank of Southern California, N.A. (OTC Pink: BCAL) today reported results for the fourth quarter ended December 31, 2019. Total assets ended the year at $830 million at December 31, 2019, an increase of 8.1% compared to December 2018. Total loans increased 6.6% to $677 million and total deposits increased 7.0% to $672 million compared to the prior year as well. Net income for the quarter ended December 31, 2019, was $1.64 million, compared to $1.72 million in Q3 2019 and $2.00 million in Q4 2018. Earnings for the year ended December 31, 2019, were $6.77 million up 29% from $5.26 million for the year ended December 2018. Diluted earnings per share increased to $0.78 for the year ended December 2019 versus $0.71 in the year ended December 2018.

Nathan Rogge, President and CEO of Bank of Southern California said, “We produced solid results for 2019 and continue to increase meaningful loan and deposit relationships while maintaining strong credit quality across our portfolio. Specifically, we reported strong commercial and industrial loan growth, increased non-interest bearing DDA, and a rise in total assets, largely attributed to our recent capital raise.” The Banks’ focus on C&I lending is not only reflected in a 14% increase in outstanding C&I loans during the year, but also in undisbursed C&I commitments, which increased 46% during the year. Non-interest bearing demand deposits, increased 22% during 2019, a result of our emphasis on relationship-based banking.

“As we enter 2020, we remain focused on advancing and driving growth in the Southern California market. Our strategic merger with CalWest Bank will provide us with an expanded branch presence covering Orange County and the Inland Empire as well as operational synergies and efficiencies, thus allowing us to better serve the business community. The merger is anticipated to close in the second quarter of 2020,” concluded Rogge.

John Farkash, Chairman of the Board said, “We are pleased to report another solid quarter to close out 2019. The Bank has achieved good momentum in executing our strategy and moving towards a relationship-focused approach to banking. As we look ahead, we remain focused on driving long-term value for our customers and shareholders.”

Additional Financial Highlights

- Total loans decreased $8 million during the 4th quarter to $677 million at quarter end; the reduction was primarily related to construction loans, which declined $10 million during the quarter as projects paid off as planned. The pace of total loan payoffs slowed in the second half of 2019 to $37 million, down from the $62 million pace set in the first six months of the year. Compared to the first half of the year, new loan origination units increased by 28% in the second half of the year resulting in $155 million in total gross loan commitments in 2019.
- During 2019, the Bank has focused on improving its core deposit portfolio. This is not only reflected in the 22% growth in noninterest-bearing demand (DDA) during 2019, but also in the growth of money market deposits, which increased $26 million, or 12%, during 2019. This core deposit growth allowed the Bank to decrease reliance on higher cost time deposits, which declined 9% during 2019.
- Noninterest expenses grew $3.6 million in 2019 compared to 2018. However, both years include non-recurring costs associated with merger and restructuring expenses, $2.1 million in 2018 related to the merger with Americas United Bank, and $592k in 2019 associated with the plan of merger with CalWest Bank.
- Nonperforming assets continue to be very low and were 0.23% of total assets at December 31, 2019, compared to 0.60% at December 31, 2018. The allowance for loan losses (ALLL) was 0.79% of total loans at December 31, 2019, up from 0.69% at December 31, 2018. When including $1.9 million in loan fair value credit marks (LFVCM), the ALLL and LFVCM represent 1.07% of total loans versus 1.10% at December 31, 2018.

[Quarterly Financial Highlights Table Follows]

More details about our quarterly results are available on our website and through the following link to our most recent quarterly results and trends: https://www.banksocal.com/about-us/financials.

About Bank of Southern California

A growing community bank, established in 2001, Bank of Southern California, N.A., with headquarters in San Diego, CA, is locally owned and managed, and offers a range of financial products to individuals, professionals and small-to-medium sized businesses. The Bank's solution-driven, relationship-based approach to banking provides accessibility to decision makers and enhances value through strong partnerships with its clients. The Bank currently operates eleven branches in San Diego County, Los Angeles County, Orange County, and the Coachella Valley in Riverside County, as well as a production office in West Los Angeles. For more information, please visit https://www.banksocal.com/ or call (858) 847-4780.

Forward-Looking Statements

This news release may contain comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) and

Bank of Southern California intends for such forward-looking statements to be covered by the safe harbor provisions of that Act.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may." Forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Future events are difficult to predict. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in this news release. Factors that might cause such differences include, but are not limited to: the ability of the Bank to successfully execute its business plan; changes in interest rates and interest rate relationships; changes in demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking legislation or regulation; changes in tax laws; changes in prices, levies and assessments; the impact of technological advances; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; and changes in the national and local economy.

Bank of Southern California undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

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Bank of Southern California
Quarterly Financial Highlights
(Unaudited)

($$ in thousands except per share data)		Quarterly 2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr	2018 4th Qtr	Annual 2019	2018
EARNINGS								
Net interest income	$	7,736	7,795	7,625	7,698	8,031	30,854	24,900
Provision for loan losses	$	200	300	200	300	450	1,000	1,600
NonInterest income	$	321	695	519	420	526	1,954	2,803
NonInterest expense	$	5,512	5,711	5,705	5,198	5,279	22,125	18,571
Income tax expense	$	709	763	667	771	823	2,910	2,274
Net income	$	1,636	1,716	1,572	1,849	2,005	6,773	5,258
Basic earnings per share	$	0.19	0.20	0.19	0.22	0.24	0.80	0.74
Average shares outstanding		8,578,102	8,410,522	8,410,522	8,409,272	8,402,251	8,452,104	7,091,176
Ending shares outstanding		9,405,190	8,410,522	8,410,522	8,410,522	8,408,022	9,405,190	8,408,022
PERFORMANCE RATIOS								
Return on average assets		0.79%	0.87%	0.82%	0.99%	1.07%	0.87%	0.87%
Return on average common equity		5.93%	6.37%	6.02%	7.30%	7.91%	6.39%	6.57%
Yield on loans		5.23%	5.44%	5.59%	5.66%	5.63%	5.47%	5.39%
Yield on earning assets		4.88%	5.21%	5.24%	5.36%	5.40%	5.17%	5.01%
Cost of deposits		0.88%	0.99%	0.98%	0.96%	0.84%	0.95%	0.70%
Net interest margin		4.01%	4.24%	4.28%	4.41%	4.59%	4.23%	4.36%
Efficiency ratio		68.42%	67.26%	70.05%	64.03%	61.70%	67.44%	67.04%
CAPITAL								
Tangible equity to tangible assets		12.58%	10.83%	11.62%	11.29%	11.01%	12.58%	11.01%
Book value (BV) per common share	$	12.81	12.77	12.56	12.30	12.06	12.81	12.06
Tangible BV per common share	$	10.85	10.56	10.34	10.07	9.81	10.85	9.81
ASSET QUALITY								
Net loan charge-offs (recoveries)	$	(11)	36	(9)	(7)	(0)	9	303
Allowance for loan losses (ALLL)	$	5,363	5,153	4,888	4,679	4,373	5,363	4,373
ALLL to total loans		0.79%	0.75%	0.78%	0.74%	0.69%	0.79%	0.69%
Loan fair value credit marks (LFVCM)	$	1,906	2,030	2,249	2,479	2,594	1,906	2,594
ALLL and LFVCM to total loans		1.07%	1.05%	1.14%	1.14%	1.10%	1.07%	1.10%
Nonperforming loans	$	1,911	2,225	2,033	3,298	4,574	1,911	4,574
Other real estate owned	$	0	0	0	0	0	0	0
Nonperforming assets to total assets		0.23%	0.27%	0.27%	0.43%	0.60%	0.23%	0.60%
END OF PERIOD BALANCES								
Total loans	$	676,655	684,717	623,424	628,538	634,651	676,655	634,651
Total assets	$	830,186	839,060	766,730	768,823	767,948	830,186	767,948
Deposits	$	671,914	692,899	632,246	635,676	627,816	671,914	627,816
Loans to deposits		100.71%	98.82%	98.60%	98.88%	101.09%	100.71%	101.09%
Shareholders' equity	$	120,523	107,400	105,619	103,481	101,360	120,523	101,360
Full-time equivalent employees		97	96	100	96	94	97	94
AVERAGE BALANCES (QTRLY) | | (YTD)								
Total loans	$	678,015	664,946	623,541	629,799	627,544	649,251	495,252
Earning assets	$	766,012	730,165	714,889	707,920	694,190	729,844	571,450
Total assets (net of AFS valuation)	$	818,989	783,043	766,960	755,842	741,463	781,386	604,727
Deposits	$	671,443	641,867	633,478	628,950	626,433	644,045	517,546
Shareholders' equity	$	109,464	106,853	104,745	102,707	100,500	105,963	80,078