

# BANK OF SOUTHERN CALIFORNIA (BCAL) QUARTERLY RESULTS AND TRENDS DECEMBER 31, 2018

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# Bank of Southern California

## Balance Sheets

(Unaudited)

	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
<b>ASSETS</b>					
Cash and due from banks	\$13,526,228	\$11,175,290	\$8,166,217	\$6,401,331	\$7,377,883
Federal funds sold & FRB EBA	53,140,000	50,210,000	58,290,000	66,795,000	32,500,000
Total cash and cash equivalents	66,666,228	61,385,290	66,456,217	73,196,331	39,877,883
Investment securities (AFS)	24,937,552	24,955,578	19,762,318	20,902,521	21,494,286
FRB, FHLB and other equity stock	6,228,150	5,594,600	4,269,650	3,265,600	3,259,300
<i>Construction &amp; land development</i>	43,760,377	41,019,000	35,890,038	35,060,422	34,055,177
<i>Other real estate</i>	479,107,377	469,021,936	305,435,861	304,911,622	296,749,488
<i>Commercial &amp; industrial</i>	107,890,828	93,807,670	69,973,464	68,889,403	66,311,838
<i>Other consumer</i>	3,892,459	2,904,328	3,626,064	334,937	2,285,391
Total loans	634,651,041	606,752,934	414,925,427	409,196,384	399,401,894
Allowance for loan losses	(4,372,643)	(3,922,148)	(3,443,426)	(3,384,759)	(3,076,021)
Total loans and leases, net	630,278,398	602,830,786	411,482,001	405,811,625	396,325,873
Premises and equipment, net	5,006,150	4,733,725	4,443,937	4,475,205	4,556,141
Other real estate owned	0	0	0	0	0
Goodwill and core deposit intangible	18,915,254	19,139,049	1,364,633	1,381,817	1,399,001
BOLI	9,358,140	9,301,016	9,244,138	9,187,261	9,130,769
Accrued interest and other assets	6,558,250	6,983,014	4,414,333	3,897,449	3,468,620
Total Assets	\$767,948,122	\$734,923,058	\$521,437,227	\$522,117,809	\$479,511,873
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Deposits:</b>					
Noninterest-bearing demand	\$169,172,749	\$181,318,962	\$136,893,569	\$135,953,718	\$123,075,336
Interest bearing checking	55,353,606	54,865,817	45,992,536	50,627,302	50,818,615
Money market and savings	217,482,224	214,370,426	138,506,124	148,153,859	148,458,217
Time deposits	185,807,410	182,247,740	120,653,656	109,564,696	85,132,903
Total deposits	627,815,989	632,802,945	442,045,885	444,299,575	407,485,071
Other borrowings	35,000,000	0	0	0	20,000,000
Accrued interest and other liabilities	3,771,759	3,255,293	2,384,942	2,802,640	2,329,063
Total liabilities	666,587,748	636,058,238	444,430,827	447,102,215	429,814,134
<b>Shareholders' Equity:</b>					
Preferred stock	0	0	0	0	0
Common stock and APIC	91,213,065	91,067,295	69,949,693	69,284,838	44,770,004
Retained earnings	10,198,433	8,193,866	7,318,878	6,012,728	4,940,425
Accum. other comprehensive income	(51,124)	(396,341)	(262,171)	(281,972)	(12,690)
Total shareholders' equity	101,360,374	98,864,820	77,006,400	75,015,594	49,697,739
Total Liabilities and Shareholders' Equity	\$767,948,122	\$734,923,058	\$521,437,227	\$522,117,809	\$479,511,873

**Bank of Southern California**  
**Balance Sheets**  
**(Unaudited)**

	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
<b>ASSETS</b>				
Cash and due from banks	\$13,526,228	\$7,377,883	\$6,199,920	\$9,087,548
Federal funds sold & FRB EBA	53,140,000	32,500,000	62,370,000	26,765,000
Total cash and cash equivalents	66,666,228	39,877,883	68,569,920	35,852,548
Investment securities (AFS)	24,937,552	21,494,286	4,543,977	6,752,317
FRB, FHLB and other equity stock	6,228,150	3,259,300	2,850,550	2,487,100
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Deposits:</b>				
Noninterest-bearing demand	\$169,172,749	\$123,075,336	\$138,082,035	\$104,577,435
Interest bearing checking	55,353,606	50,818,615	44,407,279	42,836,835
Money market and savings	217,482,224	148,458,217	129,679,024	105,907,683
Time deposits	185,807,410	85,132,903	65,361,014	44,928,921
Total deposits	627,815,989	407,485,071	377,529,352	298,250,874
Other borrowings	35,000,000	20,000,000	0	7,500,000
Accrued interest and other liabilities	3,771,759	2,329,063	1,931,069	1,068,226
Total liabilities	666,587,748	429,814,134	379,460,421	306,819,100
<b>Shareholders' Equity:</b>				
Preferred stock	0	0	0	3,050,000
Common stock and APIC	91,213,065	44,770,004	43,662,105	36,505,296
Retained earnings	10,198,433	4,940,425	975,733	(2,033,517)
Accum. other comprehensive income	(51,124)	(12,690)	(16,785)	(9,204)
Total shareholders' equity	101,360,374	49,697,739	44,621,053	37,512,575
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$767,948,122</b>	<b>\$479,511,873</b>	<b>\$424,081,474</b>	<b>\$344,331,675</b>

**Bank of Southern California**  
**Income Statement - Quarterly**  
**(Unaudited)**

	<u>Dec 31, 2018</u>	<u>Sept 30, 2018</u>	<u>Jun 30, 2018</u>	<u>Mar 31, 2018</u>	<u>Dec 31, 2017</u>
<b>INTEREST INCOME</b>					
Loans, including fees	\$8,909,564	\$7,214,458	\$5,474,056	\$5,108,673	\$4,920,473
Investment securities	332,292	231,650	225,407	201,382	197,449
Federal funds sold and other	204,655	316,811	278,488	116,620	91,634
Total interest income	9,446,511	7,762,919	5,977,951	5,426,675	5,209,556
<b>INTEREST EXPENSE</b>					
Deposits	1,331,202	1,026,598	696,196	555,867	495,757
Other borrowings	84,369	0	0	19,693	2,318
Total interest expense	1,415,571	1,026,598	696,196	575,560	498,075
Net interest income	8,030,940	6,736,321	5,281,755	4,851,115	4,711,481
Provision for loan losses	450,000	450,000	400,000	300,000	0
Net interest income after provision	7,580,940	6,286,321	4,881,755	4,551,115	4,711,481
<b>NON INTEREST INCOME</b>					
Service charges, fees and other income	412,536	385,336	317,371	302,285	298,460
BOLI income	57,123	56,878	56,877	56,493	58,998
Gains on loan sales	56,263	61,014	227,633	739,637	451,788
OREO, investment, other gains (losses)	0	73,381	250	0	(9,819)
Total non interest income	525,922	576,609	602,131	1,098,415	799,427
<b>NON INTEREST EXPENSE</b>					
Salaries and benefits	2,705,486	2,453,324	2,186,824	2,325,825	2,009,376
Occupancy and equipment	696,590	672,806	462,826	461,631	456,664
Strategic and other non-recurring expense	497,279	1,232,151	91,053	323,720	0
Other expense	1,379,940	1,228,661	911,033	942,051	778,471
Total non interest expense	5,279,295	5,586,942	3,651,736	4,053,227	3,244,511
Income before income tax expense	2,827,567	1,275,988	1,832,150	1,596,303	2,266,397
Income tax expense	823,000	401,000	526,000	524,000	1,132,000
Net Income	<b>\$2,004,567</b>	<b>\$874,988</b>	<b>\$1,306,150</b>	<b>\$1,072,303</b>	<b>\$1,134,397</b>
<b>Basic earnings per share</b>					
Average shares outstanding	8,402,251	7,689,827	6,991,327	5,281,297	5,221,606
Operating profit (before non-recurring items) <sup>1</sup>	\$3,718,583	\$2,823,744	\$2,095,320	\$1,480,386	\$1,824,428

<sup>1</sup> Op profit (before non-recurring items) = Pre-tax, pre-provision earnings, before non interest income gains (losses) and non-recurring expense.

**Bank of Southern California**  
**Reports of Income - Year-to-Date**  
**(Unaudited)**

	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
<b>INTEREST INCOME</b>				
Loans, including fees	\$26,706,751	\$18,181,331	\$15,757,800	\$13,244,318
Investment securities	990,731	722,189	329,594	276,108
Federal funds sold and other	916,574	390,602	185,803	106,596
Total interest income	<u>28,614,056</u>	<u>19,294,122</u>	<u>16,273,197</u>	<u>13,627,022</u>
<b>INTEREST EXPENSE</b>				
Deposits	3,609,863	1,539,536	1,119,220	743,638
Other borrowings	104,062	2,318	8,148	55
Total interest expense	<u>3,713,925</u>	<u>1,541,854</u>	<u>1,127,368</u>	<u>743,693</u>
Net interest income	24,900,131	17,752,268	15,145,829	12,883,329
Provision for loan losses	1,600,000	271,000	530,000	0
Net interest income after provision for loan losses	<u>23,300,131</u>	<u>17,481,268</u>	<u>14,615,829</u>	<u>12,883,329</u>
<b>NON INTEREST INCOME</b>				
Service charges, fees and other income	1,417,528	1,113,485	935,557	940,113
BOLI income	227,371	239,902	210,357	122,025
Gains on loan sales	1,084,547	865,378	746,080	670,984
OREO, investment, other gains (losses)	73,631	(9,367)	45,087	(28,968)
Total non interest income	<u>2,803,077</u>	<u>2,209,398</u>	<u>1,937,081</u>	<u>1,704,154</u>
<b>NON INTEREST EXPENSE</b>				
Salaries and benefits	9,671,459	7,482,324	6,955,490	6,374,053
Occupancy and equipment	2,293,853	1,650,085	1,528,013	1,500,663
Strategic and other non-recurring expense	2,144,203	365,443	99,775	232,868
Other expense	4,461,685	3,224,122	2,899,381	3,255,663
Total non interest expense	<u>18,571,200</u>	<u>12,721,974</u>	<u>11,482,659</u>	<u>11,363,247</u>
Income before income tax expense	7,532,008	6,968,692	5,070,251	3,224,236
Income tax expense	2,274,000	3,004,000	2,061,000	1,312,000
Net Income	<u><b>\$5,258,008</b></u>	<u><b>\$3,964,692</b></u>	<u><b>\$3,009,251</b></u>	<u><b>\$1,912,236</b></u>
Basic earnings per share	<b>\$0.74</b>	<b>\$0.76</b>	<b>\$0.69</b>	<b>\$0.45</b>
Average shares outstanding	7,091,176	5,189,799	4,346,702	4,269,585
Operating profit (before non-recurring items) <sup>1</sup>	\$10,118,033	\$6,749,124	\$4,908,859	\$2,815,088

<sup>1</sup> Op profit (before non-recurring items) = Pre-tax, pre-provision earnings, before non interest income gains (losses) and non-recurring expense.

**Bank of Southern California**  
**Quarterly Financial Highlights**  
**(Unaudited)**

(\$\$ in thousands except per share data)

	Quarterly					Annual	
	2018 4th Qtr	2018 3rd Qtr	2018 2nd Qtr	2018 1st Qtr	2017 4th Qtr	2018	2017
<b>EARNINGS</b>							
Net interest income	\$ 8,031	6,736	5,282	4,851	4,711	24,900	17,752
Provision for loan losses	\$ 450	450	400	300	0	1,600	271
NonInterest income	\$ 526	577	602	1,098	799	2,803	2,209
NonInterest expense	\$ 5,279	5,587	3,652	4,053	3,245	18,571	12,722
Income tax expense	\$ 823	401	526	524	1,132	2,274	3,004
Net income	\$ 2,005	875	1,306	1,072	1,134	5,258	3,965
Basic earnings per share	\$ 0.24	0.11	0.19	0.20	0.22	0.74	0.76
Average shares outstanding	8,402,251	7,689,827	6,991,327	5,281,297	5,221,606	7,091,176	5,189,799
Ending shares outstanding	8,408,022	8,398,092	6,998,750	6,953,720	5,223,627	8,408,022	5,223,627
<b>PERFORMANCE RATIOS</b>							
Return on average assets	1.07%	0.52%	1.00%	0.90%	0.95%	0.87%	0.89%
Return on average common equity	7.91%	3.77%	6.85%	8.53%	9.08%	6.57%	8.36%
Yield on loans	5.63%	5.30%	5.38%	5.13%	4.94%	5.39%	5.04%
Yield on earning assets	5.40%	4.87%	4.78%	4.78%	4.62%	5.01%	4.59%
Cost of deposits	0.84%	0.72%	0.62%	0.53%	0.47%	0.70%	0.39%
Net interest margin	4.59%	4.23%	4.22%	4.27%	4.17%	4.36%	4.22%
Efficiency ratio	61.70%	76.40%	62.06%	68.13%	58.87%	67.04%	63.73%
<b>CAPITAL</b>							
Tangible equity to tangible assets	11.01%	11.14%	14.54%	14.14%	10.10%	11.01%	10.10%
Book value (BV) per common share	\$ 12.06	11.77	11.00	10.79	9.51	12.06	9.51
Tangible BV per common share	\$ 9.81	9.49	10.81	10.59	9.25	9.81	9.25
<b>ASSET QUALITY</b>							
Net loan charge-offs (recoveries)	\$ (0)	(29)	341	(9)	210	303	115
Allowance for loan losses (ALLL)	\$ 4,373	3,922	3,443	3,385	3,076	4,373	3,076
ALLL to total loans	0.69%	0.65%	0.83%	0.83%	0.77%	0.69%	0.77%
Loan fair value credit marks (LFVCM)	\$ 2,594	2,834	681	759	779	2,594	779
ALLL and LFVCM to total loans	1.10%	1.11%	0.99%	1.01%	0.97%	1.10%	0.97%
Nonperforming loans	\$ 4,574	3,733	2,747	1,272	1,362	4,574	1,362
Other real estate owned	\$ 0	0	0	0	0	0	0
Nonperforming assets to total assets	0.60%	0.51%	0.53%	0.24%	0.28%	0.60%	0.28%
<b>END OF PERIOD BALANCES</b>							
Total loans	\$ 634,651	606,753	414,925	409,196	399,402	634,651	399,402
Total assets	\$ 767,948	734,923	521,437	522,118	479,512	767,948	479,512
Deposits	\$ 627,816	632,803	442,046	444,300	407,485	627,816	407,485
Loans to deposits	101.09%	95.88%	93.86%	92.10%	98.02%	101.09%	98.02%
Shareholders' equity	\$ 101,360	98,865	77,006	75,016	49,698	101,360	49,698
Full-time equivalent employees	94	94	65	73	76	94	76
<b>AVERAGE BALANCES (QTRLY)     (YTD)</b>							
Total loans	\$ 627,544	540,165	407,779	403,693	394,864	495,252	360,628
Earning assets	\$ 694,190	632,508	501,776	460,636	447,834	571,450	420,548
Total assets (net of AFS valuation)	\$ 741,463	670,942	525,934	484,628	471,271	604,727	444,262
Deposits	\$ 626,433	569,424	446,815	425,641	419,101	517,546	395,071
Shareholders' equity	\$ 100,500	92,091	76,440	50,983	49,548	80,078	47,421