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Commercial Bank of California Reports Surging Profitability, Strong Growth in Third Quarter of 2021

Highlights Include:

- *Net income for the first nine months of 2021 increased by 164% over the same period in 2020*
- *Total assets, total deposits, and net loans all grew substantially from prior-year levels*
- *Net income benefited from higher fee income from payment processing, SBA loan sales, and PPP loan originations*
- *Lower provision expense contributed to 2021 profit performance after 2020's COVID-related reserve buildup*

IRVINE, CALIF. (November 22, 2021) – Commercial Bank of California (“CBC” or “Bank”), a BauerFinancial Five-Star Superior Bank, today reported net income of \$11,072,000 for the first nine months of 2021, a sharp increase from the Bank’s \$4,196,000 profit through the third quarter of 2020. For the third quarter of 2021, the Bank reported net income of \$3,489,000, a strong improvement over the \$1,918,000 profit recorded in the same period of 2020. Net interest income increased by \$4,531,000 for the first nine months of 2021 thanks to continued growth in earning assets compared to the preceding year. Moreover, these gains were augmented by higher fee income from payment processing activities, SBA loan sales, and Paycheck Protection Program (“PPP”) loans recognized thus far in 2021. Provisions for loan losses totaled \$2,050,000 for the 2021’s initial nine-month period, keeping pace with loan portfolio growth. In contrast; such provisions were \$4,325,000 for the comparable period in the prior year, as CBC built reserves in 2020 as an abundance of caution against potential adverse effects of the COVID-19 pandemic on the repayment performance of some Bank borrowers.

At September 30, 2021, the Bank’s total assets were \$1.76 billion, compared to \$1.59 billion at this point a year ago. The Bank continued to record significant growth in net loans, which rose from \$1.02 billion at September 30, 2020 (including \$235.0 million in Paycheck Protection Program loans) to a 2021 total of \$1.08 billion (including \$114.0 million in PPP loans). Excluding the PPP loans, CBC’s net loans at September 30, 2021 were \$964.9 million, an increase of \$175.2 million (22.1%) over the \$789.7 million outstanding at the

end of 2020's third quarter. Deposits also enjoyed meaningful growth, to \$1.59 billion on September 30, 2021 from \$1.36 billion at the end of September 2020, which represented a year-over-year growth rate of 16.9%. While deposits of the Bank's regional offices continued to achieve robust growth, CBC's payment processing division also contributed to CBC's growth in deposits, as the trend of increasing contactless and online payments continued.

Total capital at September 30, 2021 was \$160.6 million, a strong increase from the prior year's capital total of \$118.3 million at September 30. The increase in CBC's capital reflects both the Bank's continued profitable operation plus the benefits of an additional capital contribution in 2021's third quarter. CBC's Tier 1 Leverage Ratio stood at 8.88% as of September 30, 2021. The Bank's capital ratios continue to reflect its sound capital position, with all ratios exceeding the current well-capitalized standards as of the end of September 2021.

Ash Patel, Chairman, President, and Chief Executive Officer, commented, "Reflecting the persistence of the COVID-19 pandemic, the safety of our staff and our valued clients remains our highest concern. We hope that you, your family, and your associates are staying healthy in the current situation, and considering the highly-effective vaccines that are now readily available.

"Viewed against the current backdrop, we are pleased and encouraged by CBC's operating results for the initial nine months of the current year. Net income for the first nine months of 2021 was more than two and a half times that of the same period last year. Much of our earnings strength reflects continued growth in earning assets, which is in turn due to CBC's strong gains in client deposits. We expect these favorable trends to continue, and to result in further earnings growth in future periods as we fully deploy the liquidity from our deposit growth into loans and investments. Fee income from payment processing, SBA loan sales, and PPP lending has also contributed significantly to earnings so far in 2021, along with a reduction in provision expense in 2021 compared to the prior year. While CBC's credit quality and borrower performance have remained strong, we believe that maintaining reserves to keep pace with portfolio growth and to deal with potential adverse changes remains the appropriate course of action at the present time. Beyond that, we are continuing our efforts to grow revenues and control expenses to optimize our operating performance now and in the future."

Mr. Patel concluded: "CBC's long-standing strategy of maintaining financial strength to deal with economic uncertainty has proven to be the correct approach to the current environment. Thanks to our financial strength and robust capital position, CBC dealt with the recent challenges from a position of strength, and is now able to capitalize on emerging opportunities presented by the rebounding economy. While our confidence in the future of CBC has never been stronger, we remain profoundly grateful to our clients, team members, and friends for their support and loyalty during this unprecedented period."

About Commercial Bank of California

Commercial Bank of California is a full-service bank and diversified financial services company serving the business and professional communities of Los Angeles and Orange counties. Recognized as a BauerFinancial, Inc. "Five-Star Superior Bank" for its financial strength and stability, CBC provides the financial expertise of a major bank while maintaining a commitment to personalized service for every CBC client. More information about CBC's custom solutions for your business is available at www.cbcal.com.

STATEMENTS OF CONDITION (UNAUDITED)

(000s omitted)

September 30, 2021

September 30, 2020

ASSETS:

Cash and due from banks	\$	71,937	\$	16,861
Interest bearing deposits with banks		322,730		401,673
Federal funds sold		=		<u>10,000</u>
Cash and cash equivalents		394,667		428,534
Investment securities		242,410		87,635
Loans		1,096,201		1,039,620
Less: allowance for loan and lease losses		<u>17,294</u>		<u>14,597</u>
Loans, net		1,078,907		1,025,023
Premises and equipment - net		2,019		2,754
Other real estate owned		-		-
Accrued interest receivable and other assets		<u>46,123</u>		<u>43,947</u>
Total assets	\$	<u>1,764,126</u>	\$	<u>1,587,893</u>
LIABILITIES AND CAPITAL:				
Non-interest bearing demand deposits		799,679		628,301
Interest bearing demand deposits		49,068		76,629
Savings and money market deposits		689,868		586,521
Time deposits		<u>50,498</u>		<u>64,161</u>
Total deposits		1,589,113		1,355,612
Other borrowings		-		102,840
Accrued interest payable and other liabilities		<u>14,393</u>		<u>10,793</u>
Total liabilities	\$	1,603,506	\$	1,469,245
Stated capital		119,430		89,430
Retained earnings		40,210		26,952
Accumulated other comprehensive income		<u>980</u>		<u>1,906</u>
Total capital	\$	<u>160,620</u>	\$	<u>118,288</u>
Total liabilities and capital	\$	<u>1,764,126</u>	\$	<u>1,587,533</u>

STATEMENTS OF OPERATIONS (UNAUDITED)

<u>(000's omitted)</u>	Nine Months Ended <u>September 30, 2021</u>	Nine Months Ended <u>September 30, 2020</u>
Interest on loans	\$ 36,842	\$ 32,493
Interest on deposits with banks	458	651
Interest on investment securities	1,848	1,454
Other interest income	<u>229</u>	<u>218</u>
Total interest income	39,377	34,816
Interest on deposits	3,594	3,573
Interest on other borrowings	<u>146</u>	<u>137</u>
Total interest expense	<u>3,740</u>	<u>3,710</u>
Net interest income	35,637	31,106
Provision for loan losses	<u>2,050</u>	<u>4,325</u>
Net interest income after provision for loan losses	33,587	26,781
Other operating income	14,143	7,298
Salaries and related benefits	21,855	17,610
Occupancy expenses	3,201	3,526
Other expenses	<u>7,616</u>	<u>7,194</u>
Total other operating expenses	<u>32,672</u>	<u>28,330</u>
Income before provision for income taxes	15,058	5,749
Provision for income taxes	<u>3,986</u>	<u>1,553</u>
Net income	\$ <u>11,072</u>	\$ <u>4,196</u>

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included herein may constitute forward-looking statements. Although Commercial Bank of California believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from Commercial Bank of California’s expectations include fluctuations in interest rates, inflation, government regulations, and economic conditions and competition in the geographic and business areas in which Commercial Bank of California conducts its operations.

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