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Commercial Bank of California Reports Accelerating Profitability in Second Quarter of 2021

Highlights Include:

- *Total assets, total deposits, and net loans all recorded strong increases over prior-year levels*
- *Net interest income increased due to continued strong growth in earning assets*
- *Net income benefited from lower provision expense after 2020 reserve buildup in response to COVID-19 Pandemic*

IRVINE, CALIF. (August 25, 2021) – Commercial Bank of California (“CBC” or “Bank”), a BauerFinancial Five-Star Superior Bank, today reported net income of \$7,585,000 for the first six months of 2021, a strong improvement from the \$2,278,000 profit of the first half of 2020. For the second quarter of 2021, the Bank’s net income was \$3,444,000, up sharply from the net income of \$1,139,000 recorded in the same period of 2020. Net interest income increased by \$2,814,000 for 2021’s initial six-month period due to growth in earning assets over the past year. Moreover, these gains were augmented by higher fee income from payment processing activities, SBA loan sales, and Paycheck Protection Program (“PPP”) loans thus far in 2021. Provisions for loan losses totaled \$1,200,000 in the first half of 2021; such provisions were \$3,575,000 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 payment performance of some Bank borrowers.

At June 30, 2021, the Bank’s total assets were \$1.7 billion, compared to \$1.4 billion at this point a year ago. Net loans increased sharply, rising from \$1.0 billion at June 30, 2020 to \$1.1 billion on the same date in 2021. PPP loans made up approximately \$200 million of net loans at June 30 of each year, as the origination of \$143 million in Second Draw PPP loans in 2021 was offset by the ongoing forgiveness of First Draw 2020 loans. Deposits have enjoyed strong growth in 2021, increasing to \$1.5 billion at June 30, 2021 from \$1.2 billion at the end of June 2020. While branch deposits have shown robust growth, CBC’s payment processing division contributed the majority of the growth in deposits as the pandemic-related trend of increasing contactless and online payments continued.

Total capital at June 30, 2021 was \$146.0 million, a strong increase from June 30, 2020, when total capital stood as \$110.8 million. The Bank’s capital ratios continue to be well above all regulatory

standards for well-capitalized institutions. CBC's Tier 1 Leverage Ratio stood at 8.70% as of June 30, 2021.

Ash Patel, Board Chairman, President, and Chief Executive Officer, commented, "The recent surge in "Delta Variant" cases of COVID-19 is a reminder that the current pandemic will likely be with us for some time to come. As before, the safety of our staff and our valued clients is our greatest concern. We hope that you, your family, and your associates are staying healthy and persevering in the current situation.

"While COVID clearly will remain a fact of life well into the future, the U.S. economy appears to be slowly strengthening. Against that backdrop, we remain pleased with CBC's operating results for the initial six months of the current year. Our net income for the first half of 2021 more than doubled over the same period last year. Much of the upswing in earnings reflects our continued growth in earning assets. CBC's strong gains in client deposits have been most encouraging and are expected 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. As you will recall, in 2020 we increased our reserves for potential loan losses due to the uncertainties relating to the then-emerging pandemic. While CBC has continued to build its reserves in 2021 due to loan growth, we were able to reduce our loan loss provisions from \$3,575,000 in the first half of 2020 to \$1,200,000 for the same period in 2021, and those reduced provisions have had a favorable impact on our overall profitability as provision expense has returned to pre-pandemic levels. While CBC's credit quality and borrower performance have remained strong, we believe that holding reserves against potential adverse changes remains the appropriate course of action at the present time. Beyond that, we are doubling down on our efforts to grow revenues and control expenses to optimize our operating performance now and in the future."

Mr. Patel concluded: "The wisdom of maintaining financial strength to deal with economic uncertainty has never been more evident than it is today. Thanks to our robust capital position and financial strength, CBC had the resiliency to deal with the challenges of the recent past, and now is capitalizing on the opportunities that are emerging as the economy strengthens. Our confidence in the future of CBC has never been stronger, and we remain profoundly grateful to our clients, team members, and friends for their loyalty and support 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)

June 30, 2021

June 30, 2020

ASSETS:

Cash and due from banks	\$	68,336	\$	17,050
Interest bearing deposits with banks		296,920		262,106
Fed funds sold		<u>10,000</u>		<u>10,000</u>
Cash and cash equivalents		375,256		289,156
Investment securities		167,472		87,453
Loans		1,117,220		1,020,162
Less: allowance for loan and lease losses		<u>16,467</u>		<u>13,882</u>
Loans, net		1,100,753		1,006,280
Premises and equipment - net		2,041		2,948
Other real estate owned		-		-
Accrued interest receivable and other assets		<u>46,246</u>		<u>41,307</u>
Total assets	\$	<u>1,691,768</u>	\$	<u>1,427,144</u>
LIABILITIES AND CAPITAL:				
Non-interest bearing deposits	\$	821,181	\$	550,471
Interest bearing demand deposits		61,013		55,396
Savings and money market deposits		593,430		534,693
Time deposits		<u>47,049</u>		<u>62,591</u>
Total deposits		1,522,673		1,203,151
Other borrowings		8,933		103,064
Accrued interest payable and other liabilities		<u>14,204</u>		<u>10,138</u>
Total liabilities		1,545,810		1,316,353
Stated capital		107,430		83,830
Retained earnings		36,723		25,034
Accumulated other comprehensive income (loss)		<u>1,805</u>		<u>1,927</u>
Total capital		<u>145,958</u>		<u>110,791</u>
Total liabilities and capital	\$	<u>1,691,768</u>	\$	<u>1,427,144</u>

STATEMENTS OF OPERATIONS
(UNAUDITED)

<u>(\$000's omitted)</u>	Six Months Ended <u>June 30, 2021</u>	Six Months Ended <u>June 30, 2020</u>
Interest on loans	\$ 24,283	\$ 21,228
Interest on deposits with banks	258	516
Interest on investment securities	1,052	1,010
Other interest income	<u>145</u>	<u>145</u>
Total interest income	25,738	22,899
Interest on deposits	2,334	2,358
Interest on other borrowings	<u>103</u>	<u>54</u>
Total interest expense	<u>2,437</u>	<u>2,412</u>
Net interest income	23,301	20,487
Provision for loan losses	<u>1,200</u>	<u>3,575</u>
Net interest income after provision for loan losses	22,101	16,912
Bank service charges and fees	457	488
Payment processing fee income	3,634	3,062
Other income	<u>6,467</u>	<u>990</u>
Other operating income	10,558	4,540
Salaries and related benefits	15,171	11,513
Occupancy expenses	2,070	2,298
Other expenses	<u>5,171</u>	<u>4,528</u>
Total other operating expenses	<u>22,412</u>	<u>18,339</u>
Income before provision for income taxes	10,247	3,113
Provision for income taxes	<u>2,662</u>	<u>835</u>
Net income	\$ <u>7,585</u>	\$ <u>2,278</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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