

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

1/29/2020

Fourth Quarter 2019 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>.

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.