NEWS RELEASE

Southern California Bancorp Announces Results for the Second Quarter 2020

7/27/2020

San Diego Calif., July 27, 2020 – Southern California Bancorp (the "Company") (OTC Pink: BCAL), the holding company for Bank of Southern California, N.A. (the "Bank") today reported results for the second quarter ended June 30, 2020.

SECOND QUARTER 2020 HIGHLIGHTS

The Company is pleased to announce strong Q2 results, despite very challenging macroeconomic conditions largely due to the COVID-19 pandemic. At the end of May, the all-cash acquisition of CalWest Bancorp ("CalWest") was completed, adding $221 million in loans, $241 million in deposits, and $312 million in assets. Nathan Rogge, President and CEO commented, "The acquisition of CalWest was an important step in progressing the Bank towards our goal of becoming the "bank of choice" for Southern California businesses. CalWest customers now have access to additional branch offices, more products and services, and an increased lending capacity."

As previously announced, the Bank was an active participant in the Paycheck Protection Program (PPP), funding more than 2,600 loans in Q2. Rogge explained, "Given COVID-19's unprecedented impact on the business community, we felt it was important to support both customers and non-customers by providing PPP Loans to all Southern California businesses. We are proud to report that as of June 30, 2020 we have funded a total of $523 million PPP loans, providing or retaining jobs for over 55,000 employees."

As a result of the CalWest acquisition and participation in PPP lending, total assets increased 81% Q/Q from $852 million in Q1 2020 to $1.55 billion in Q2 2020. Furthermore, total loans and total deposits increased significantly, and positively impacted earnings. The following summarizes these results:

- Total loan portfolio increased $668 million, or 98% Q/Q to $1.35 billion
    - $221 million in total loans from CalWest, including $50 million in PPP Loans

- $473 million in PPP loans, in addition to those acquired from CalWest

- Total deposits increased $468 million, or 68% Q/Q to $1.16 billion
  - CalWest acquired total deposits were $241 million, including $129 million noninterest DDA
  - Aside from CalWest deposits, other deposits increased $227 million, including an increase of $165 million in DDA and $59 million in money market, which were largely deposits associated with PPP lending customers

- Net income increased 35% Q/Q to $2.57 million
  - Earnings increases were driven by the CalWest acquisition and PPP Lending
  - Earnings are net of $2.25 million added to the loan loss reserve
  - Pre-tax, pre-provision recurring operating profit increased from $3.0 million in Q1 2020 to $6.3 million in Q2 2020

NET INTEREST INCOME AND RATIO OVERVIEW

Net interest income increased $3.43 million Q/Q positively driven by balance sheet growth due to the CalWest acquisition and PPP Loans. However, yields, costs and net interest margin were impacted by 150 bps reduction in interest rates near the end of Q1 2020.

Average loan yields dropped 77 bps Q/Q from 5.32% to 4.55% (only 43 bps excluding PPP Loans). Average cost of deposits Q/Q dropped 43 bps from 0.78% to 0.35%. Fluctuations are tied to rate reductions of 150 bps at the end Q1 2020 and the overall yield on PPP Loans of 3.88%. A comparison of Q/Q interest income, yields, costs and net interest income follows:

	Q2 2020		Q1 2020	
Interest Income on:				
Total Loans	$12,480,097	4.55%	$8,968,879	5.32%
Loans excl PPP	$8,871,048	4.89%	$8,968,879	5.32%
PPP Loans	$3,609,049	3.88%	N/A	
Investments	$195,036	2.61%	$215,478	3.96%
Fed Funds & Int Earning	$57,300	0.24%	$354,027	1.35%
Total Interest Income	$12,732,433	4.17%	$9,538,384	4.76%
Total Interest Expense	$1,317,616	0.46%	$1,553,211	0.86%
Net Interest Income	$11,414,817	3.74%	$7,985,173	3.98%

During Q2, total PPP Loan fees received were over $14 million. A two-year accretive accounting treatment has been applied to these fees following assumptions related to prepayments and forgiveness of PPP Loans.

LIQUIDITY AND CAPITAL

The significant growth in PPP Loans was funded through a combination of increased DDA accounts, generally associated directly with the PPP Loans, borrowings under Federal Reserve Bank's PPP Liquidity Facility (PPP LF), and other sources. On average, during the second quarter, PPP Loans were funded 50% from DDA growth, 35% from borrowings, and 15% from other balance sheet liquidity.

The Company has ample liquidity resources to meet its customer's needs through both the Federal Home Loan Bank (FHLB) and PPP LF. At June 30, 2020, borrowing capacity available at the FHLB was approximately $90 million and borrowing capacity available through PPP LF was approximately $300 million.

Despite the growth in assets, the Bank remains well-capitalized, largely due to preferential capital treatment of PPP Loans and PPP LF advances. PPP Loans are considered zero risk-weighted assets and PPP LF advances are not counted in the leverage ratio. The Bank's capital leverage ratio for Q2 2020 is 10.2% and total risk-based capital ratio is 15.2%.

CREDIT QUALITY AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses (ALLL) increased from $5.67 million in Q1 to $8.30 million in Q2, primarily from

$2.25 million in provisions for loan losses due to the increased uncertainty related to macroeconomic variables caused by COVID-19. Although nonperforming assets increased only slightly to $1.7 million, the Company is cognitive of its customers with exposure to COVID-19 sensitive industries, and the quantity of loans currently on deferment. The following table details loan exposure to certain high-risk industries:

	Outstanding Loan Amounts	Number of Loans
Industry		
Hospitality	$ 22,959,766	10
Food Service	$ 27,451,686	51
Retail	$ 7,860,736	19
Educational Services	$ 642,827	9
Healthcare Related	$ 25,827,360	70
Misc. Services	$ 10,623,043	19
Schools	$ 16,613,197	7
Total	$ 111,978,614	185

At June 30, 2020, a total of $132 million in loans are on payment deferment, with 69% on 3 month deferment, and 73% deferring principal and interest. As the extent of the economic disruption has become more clear, many borrowers who elected a payment deferral have been taken off of deferral; as of June 30, 2020, over $49 million in loans have come off deferment and are now current.

As a result of the significant increases in both the loan portfolio and the allowance for loan losses during Q2, relevant reserve ratios compared to the prior quarter are as follows:

	Q2 2020	Q1 2020
ALLL to Total Loans	0.61%	0.83%
ALLL and Loan Fair Value Credit Marks (LFVCM) to Total Loans	0.99%	1.07%
ALLL and LFVCM to Total Loans, excluding PPP Loans	1.62%	1.07%

Management believes the addition of $2.25 million as provision for loan losses during Q2 is prudent and conservative considering the ongoing uncertainties associated with COVID-19. Management will continue to monitor and proactively manage the loan portfolio to minimize potential future losses.

BANK ACQUISITION AND BRANCH OFFICE PLANS

To support the $26M acquisition of CalWest Bancorp, a $12 million private placement of common stock was completed in Q4 2019, and the holding company reorganization and $18M subordinated debt offering were completed in May 2020. In addition, Mr. Rogge commented, “We remain focused on positioning the Company for long term success and with our newly expanded footprint we see an opportunity to increase efficiencies while continuing to support our customers and the communities we serve. We recently announced plans to consolidate a few of our branch locations and in January 2021 we will be opening a new branch in downtown La Jolla.”

With branch operations in Los Angeles, Riverside and San Diego counties, the acquisition of CalWest Bancorp allows an expanded presence in Orange County, as well as a new presence in San Bernardino County in Redlands. When looking holistically at the Company's new geographic footprint, efficiencies can be achieved by consolidating and streamlining overall bank operations. As such, the Executive Management Team is executing plans over the next two quarters to integrate two branches with overlapping functions of nearby branches in the Los Angeles and Orange County markets, as well as opening a new branch in San Diego County.

With all the changes at the Bank, we will continue to focus on our core strengths, including the highly personal customer service delivered by our staff. These efforts are evident in the new customers introduced through the PPP Loan process, whereby approximately 42% have also chosen additional banking services, and we look forward to continuing to grow our relationships with our newest clients.

When considering the overall growth and continued profitability of the Company while there is so much uncertainty in the market, John Farkash, Chairman of the Board said, "As we look ahead, we are well-capitalized to see through these challenging times. We remain focused on supporting Southern California's businesses and believe our acquisition of CalWest Bancorp will enable us to better serve our clients and communities, while building long-term shareholder value."

FORWARD-LOOKING STATEMENTS

This press release may contain comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) and Southern California Bancorp and its subsidiary, Bank of Southern California, N.A., 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. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, in this news release. Factors that might cause such differences include, but are not limited to: the impact of the Coronavirus (COVID-19) on the economy and the Company; the ability of the Company to successfully execute its business plan; changes in interest rates and interest rate relationships; changes in demand for products and services; changes in banking legislation or regulation; trends in customer behavior as well as their ability to repay loans; and changes in the national and local economy.

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