



## SOUTHERN CALIFORNIA BANCORP REPORTS RECORD NET INCOME OF \$6.9 MILLION AND EPS OF \$0.38 FOR THE THIRD QUARTER OF 2022

San Diego, Calif., October 25, 2022 – Southern California Bancorp (“us,” “we,” “our,” or the “Company”) (OTC Pink: BCAL), the holding company for Bank of Southern California, N.A. (the “Bank”) today announced its consolidated financial results for the third quarter of 2022.

Southern California Bancorp reported record net income of \$6.9 million for the third quarter of 2022, or \$0.38 per diluted share, compared to a net loss of \$736 thousand, or \$0.04 per diluted share in the second quarter of 2022.

### Third Quarter 2022 Highlights

- **Net income** of \$6.9 million, up \$7.7 million from the prior quarter
- **Total loan interest income** increased \$3.0 million, or 14.84%, over the prior quarter
- **Pre-tax, pre-provision income (non-GAAP)** of \$10.7 million, compared to \$608 thousand in the prior quarter
- **Provision for loan losses** of \$1.3 million commensurate with strong loan growth; the provision was \$1.7 million in the prior quarter
- **Net interest margin** of 4.32%, compared with 3.87% in the prior quarter; average yield on non-Paycheck Protection Program (“non-PPP”) loans of 5.09% compared with 4.70% in the prior quarter
- **Total assets** of \$2.31 billion were flat from June 30, 2022, and up \$50.5 million or 2.2% from December 31, 2021
- **Total organic non-PPP loans, including loans held for sale, increased** to \$1.85 billion, up \$77.2 million or 4.37% from June 30, 2022, and up \$399.0 million or 27.6%, from December 31, 2021
- **Total deposits** of \$2.02 billion were relatively flat from June 30, 2022, and up \$47.0 million or 2.4%, from December 31, 2021
- **Noninterest-bearing demand deposits** were \$993.2 million, representing 49.2% of total deposits, down \$63.6 million from June 30, 2022, and up \$6.3 million from December 31, 2021
- **Cost of deposits** was 0.25%, up from 0.07% in the prior quarter
- **Nonperforming assets to total assets** ratio of 0.002%, compared to 0.03% and 0.04% at June 30, 2022 and December 31, 2021, respectively
- **Tangible book value per common share (“TBV”) (non-GAAP)** of \$11.75 at September 30, 2022, up \$0.16 from \$11.59 in the prior quarter
- **Continued status as “well-capitalized,”** the highest regulatory capital category

“I’m pleased to report we achieved the highest quarterly net income in the history of the Bank of \$6.9 million, or \$0.38 per diluted share for the third quarter,” said David Rainer, Chairman and CEO of Southern California Bancorp and Bank of Southern California. “Financial results for the quarter included the final loss settlement related to recent litigation, which net of insurance recoveries, was \$5.3 million<sup>1</sup>. In the third quarter we also recorded nonrecurring expenses of \$1.2 million, including a \$768 thousand loss on the sale of an industrial building that came with the acquisition of Bank of Santa Clarita last year, some residual M&A expenses, as well as legal expenses of \$292 thousand related to the recent litigation settlement. Our third quarter performance reflects the traction we are getting on our strategy to become the

premier relationship-banking franchise for small to mid-size businesses in Southern California. We believe with the nonrecurring costs incurred during the expansion of our footprint, the acquisition of Bank of Santa Clarita, the conversion of our core operating system and the settlement of litigation all behind us, we are now well positioned.

“Over the first three quarters of 2022, we deployed our excess liquidity by growing our total loans by \$344.5 million and increasing our investment securities portfolio by \$123 million, which in conjunction with Fed funds rate increases this year, helped increase our third quarter 2022 net interest margin to 4.32%, up from 3.87% in the prior quarter.

“Deposit growth was relatively flat for the third quarter of 2022, while our cost of deposits grew to 25 basis points, up from 7 basis points in the prior quarter, as we adjusted interest rates for customers of our relationship-based business banking model to keep us competitive with our peers and allow us to attract new relationships. That said, our noninterest bearing deposits represented 49.2% of our total deposits at September 30, 2022.

“While there is presently some uncertainty about interest rates and the direction of the U.S. economy, we continue to believe the Southern California market for small to mid-sized business banking offers a significant opportunity for a responsive, relationship-based business banking franchise like ours, and we will continue to execute and grow that model.”

### **Third Quarter Operating Results**

#### **Net Income**

Net income for the third quarter of 2022 was \$6.9 million, or \$0.38 per diluted share, compared to a net loss of \$736 thousand, or \$0.04 per diluted share in the second quarter of 2022. The adjusted net income (non-GAAP) for the third quarter was \$6.2 million, or \$0.34 per diluted share, compared to adjusted net income of \$4.2 million, or \$0.23 per diluted share in the second quarter of 2022.

#### **Net Interest Income and Net Interest Margin**

Net interest income for the third quarter of 2022 was \$23.8 million, compared to \$20.9 million in the prior quarter. The increase was primarily due to a \$3.8 million increase in total interest income, partially offset by a \$929 thousand increase in total interest expense. During the third quarter of 2022, loan interest income increased \$3.0 million, debt securities income increased \$318 thousand, and interest and dividend income from other financial institutions increased \$501 thousand. The increase in interest income was due to a number of factors: higher average non-PPP loans from organic loan growth; a change in the interest-earning asset mix; and increases in the target Fed funds rate. Average interest earning assets increased \$14.4 million, resulting from a \$102.2 million increase in average non-PPP loans, a \$39.5 million increase in average Fed funds sold/resale agreements, and a \$27.0 million increase in average debt securities, partially offset by a \$150.0 million decrease in average lower yielding deposits in other financial institutions, and a \$4.3 million decrease in average PPP loans. The increase in interest expense for the third quarter of 2022 was primarily due to a \$889 thousand increase in interest expense on money market and saving accounts.

Net interest margin for the third quarter of 2022 was 4.32%, compared with 3.87% in the prior quarter. The increase was primarily related to a 61 basis point increase in the total interest-earning assets yield resulting from higher market interest rates and a change in the Bank's interest-earning asset mix, partially offset by an 18 basis point increase in the cost of funds. The yield on total earning assets in the third quarter of 2022 was 4.60%, compared with 3.99% in the prior quarter. The yield on average loans in the third quarter of 2022 was 5.09%, an increase of 35 basis points from 4.74% in the prior quarter.

Cost of funds for the third quarter of 2022 was 31 basis points, an increase from 13 basis points in the prior quarter. The increase was the net result of an increase in the cost of interest-bearing deposits from 14 basis points to 51 basis points, coupled with a decrease in average noninterest-bearing deposits. Average noninterest-bearing demand deposits decreased \$41.0 million to \$1.01 billion and represented 49.8% of total average deposits for the third quarter of 2022, compared with \$1.05 billion and 52.1%, respectively, for the prior quarter. The total cost of deposits in the third quarter of 2022 was 25 basis points, up from 7 basis points in the prior quarter.

Average total borrowings decreased \$2.2 million to \$17.7 million for the third quarter of 2022 resulting from the early extinguishment of trust preferred securities ("TruPS"). The average cost of total borrowings was 6.06% for the third quarter of 2022, down from 6.08% in the prior quarter.

### **Provision for Loan Losses**

The Company recorded a loan loss provision of \$1.3 million in the third quarter of 2022, primarily related to strong organic loan growth. In the second quarter of 2022, the Company recorded a loan loss provision of \$1.7 million. The Company's management continues to monitor macroeconomic variables related to increasing interest rates, inflation and the concerns of an economic downturn and believes it is appropriately provisioned for the current environment.

### **Noninterest Income**

Total noninterest income in the third quarter of 2022 was \$358 thousand, a decrease of \$1.2 million compared to total noninterest income of \$1.5 million in the second quarter of 2022. The decrease was due primarily to a \$768 thousand loss on sale of a building and related fixed assets and a \$527 thousand decrease in gain on sale of loans in the third quarter.

The Company recorded a \$768 thousand loss on sale of a building and related fixed assets in the third quarter of 2022, these assets were acquired in the acquisition of Bank of Santa Clarita in 2021; there was no comparable transaction in the second quarter of 2022. The \$527 thousand decrease in gain on sale of loans was primarily due to a lower volume of SBA 7A loan sales in the third quarter of 2022. Total loans sold during the third quarter of 2022 was \$3.7 million, resulting in a gain on sale of \$240 thousand, compared to total loans sold of \$11.0 million in the second quarter, resulting in a gain on sale of \$767 thousand.

### **Noninterest Expense**

Total noninterest expense for the third quarter of 2022 was \$13.4 million, a decrease of \$8.4 million compared with total noninterest expense of \$21.9 million in the prior quarter. The decrease was primarily due to a net decrease in the loss contingency expense for the litigation settlements and various nonrecurring expenses incurred in the prior quarter, which included an impairment charge related to the right-of-use asset associated with a Company lease, and a loss on the early extinguishment of the TruPS. Also contributing to the decrease in noninterest expense in the third quarter of 2022 was a decrease in salaries and employee benefits, merger and related expenses; partially offset by an increase in legal, audit and professional expense.

The \$483 thousand decrease in salaries and benefits was due primarily to a decrease in average headcount, coupled with lower employer taxes in the third quarter of 2022. The \$427 thousand decrease in merger and related expenses was due primarily to the completion of the core system conversion for the legacy bank in March 2022 and Bank of Santa Clarita in April 2022. Legal, audit and professional fees increased \$277 thousand, primarily due to a \$180 thousand increase in legal fees related to the recent settlement of litigation.

The \$122 thousand decrease in occupancy and equipment expenses was due primarily to a \$136 thousand pre-tax impairment charge taken in the second quarter of 2022 for the right-of-use asset, for which there was no corresponding

transaction in the third quarter. Other expenses decreased \$244 thousand in the third quarter, as the Company recorded \$347 thousand related to a loss on an early extinguishment of debt acquired from CalWest Bancorp in the second quarter of 2022, for which there was no corresponding transaction in the third quarter, which was partially offset by a higher provision for unfunded loan commitments of \$114 thousand in the third quarter of 2022. Total unfunded loan commitments increased \$77.1 million to \$577.4 million at September 30, 2022 from \$500.3 million at June 30, 2022.

Efficiency ratio for the third quarter of 2022 was 55.54%, compared to 97.29% in the prior quarter. Adjusted efficiency ratio was 60.03%, compared to 65.93% in the prior quarter.

## **Income Tax**

In the third quarter of 2022, the Company's income tax expense was \$2.5 million, compared with an income tax benefit of \$306 thousand in the second quarter of 2022. The effective rate was 26.6% for the third quarter of 2022 and 29.4% for the second quarter of 2022. The effective tax rate for 2022 is expected to be approximately 27%.

## **Balance Sheet**

### **Assets**

Total assets at September 30, 2022 were \$2.31 billion, relatively flat from June 30, 2022, and an increase of \$50.5 million or 2.2% from December 31, 2021. The decrease in total assets from the prior quarter was primarily related to an \$84.2 million decrease in cash and cash equivalents, largely offset by a \$76.7 million increase in total loans.

The increase in total assets from December 31, 2021, was primarily related to a \$344.5 million increase in total loans, a \$69.0 million increase in available-for-sale debt securities, and a \$54.0 million increase in held-to-maturity securities, partially offset by a \$422.8 million decrease in cash and cash equivalents.

### **Loans**

Total loans held for investment were \$1.84 billion at September 30, 2022, compared to \$1.77 billion and \$1.50 billion at June 30, 2022 and December 31, 2021, respectively. In the third quarter of 2022, the Company's loans held for investment, excluding PPP loans, had net organic growth of \$73.6 million or 4.2%, net of total loan principal payoffs of approximately \$65.3 million, resulting in non-PPP loans held for investment balance of \$1.84 billion at September 30, 2022. Total loans secured by real estate increased by \$64.0 million, construction and land development loans increased by \$28.6 million and commercial and industrial loans decreased by \$19.6 million. The Company had \$5.5 million in SBA 7A loans held for sale at September 30, 2022, compared with \$1.9 million at June 30, 2022; most of the loans are expected to be sold in the secondary market in the fourth quarter of 2022.

In the first nine months of 2022, the Company's loans held for investment, excluding PPP loans, had net organic growth of \$393.5 million, or 27.2%, net of total loan principal payoffs of approximately \$300.2 million. Total loans secured by real estate increased by \$263.0 million, and construction and land development loans increased by \$100.2 million. Total commercial and industrial loans decreased by \$27.8 million, as \$54.4 million in PPP loans received SBA forgiveness or pay downs.

### **Deposits**

Total deposits at September 30, 2022 were \$2.02 billion, relatively flat from June 30, 2022 and an increase of \$47.0 million from December 31, 2021. Noninterest-bearing demand deposits at September 30, 2022 were \$993.2 million, or 49.2% of total deposits, compared to \$1.06 billion and \$986.9 million, or 52.1% and 50.0% of total deposits at June 30, 2022 and December 31, 2021, respectively.

## Asset Quality

Total non-performing assets decreased to \$48 thousand or 0.002% of total assets at September 30, 2022, compared with \$655 thousand or 0.03%, and \$809 thousand or 0.04% of total assets at June 30, 2022 and December 31, 2021, respectively. The decrease in the third quarter of 2022 was due primarily to payoffs of \$558 thousand and paydowns of \$49 thousand. The decrease from December 31, 2021, was due primarily to \$799 thousand from payoffs, note sale and charge-offs.

The Company had no loans over 90 days past due that were accruing interest at September 30, 2022. For the nine-month period ended September 30, 2022, the Company recorded net charge-offs of \$21 thousand.

Loan delinquencies (30-89 days past due) totaled \$69 thousand at September 30, 2022, compared to \$459 thousand and \$1.0 million at June 30, 2022 and December 31, 2021, respectively.

The allowance for loan losses (“ALLL”) was \$16.4 million at September 30, 2022, compared to \$15.1 million and \$11.7 million at June 30, 2022, and December 31, 2021, respectively. The ALLL to total loans was 0.89% at September 30, 2022, compared to 0.85% and 0.77% at June 30, 2022, and December 31, 2021, respectively. The ALLL to total loans, excluding PPP loans was 0.89%, 0.86% and 0.81% at September 30, 2022, June 30, 2022, and December 31, 2021, respectively. The net carrying value of acquired loans totaled \$293.4 million and included a remaining net discount of \$1.8 million at September 30, 2022. This discount is currently available to absorb losses on the acquired loans and represented 0.62% of the net carrying value of acquired loans and 0.10% of total gross loans held for investment.

## Capital

Tangible book value per common share at September 30, 2022, was \$11.75, compared with \$11.59 and \$11.73 at June 30, 2022 and December 31, 2021, respectively. Tangible book value was impacted in the second and third quarters by increases in the other comprehensive loss related to unrealized losses, net of taxes on available-for-sale securities, the balance of which was \$8.3 million at September 30, 2022, \$4.5 million at June 30, 2022, and \$38 thousand at December 31, 2021.

The Bank’s leverage capital ratio and total risk-based capital ratio were 10.14% and 11.77%, respectively, at September 30, 2022.

1. The Company accrued \$6.5 million related to the settlement in the second quarter of 2022.

## **ABOUT BANK OF SOUTHERN CALIFORNIA AND SOUTHERN CALIFORNIA BANCORP**

Southern California Bancorp (OTC Pink: BCAL) is a registered bank holding company headquartered in San Diego, California. Bank of Southern California, N.A., a national banking association chartered under the laws of the United States and regulated by the Office of Comptroller of the Currency, is a wholly owned subsidiary of Southern California Bancorp. Established in 2001 and headquartered in San Diego, California, Bank of Southern California, N.A. offers a range of financial products and services to individuals, professionals, and small- to medium-sized businesses through its 13 branch offices serving San Diego, Orange, Los Angeles, and Ventura counties, as well as the Inland Empire. The Bank's solutions-driven, relationship-based approach to banking provides accessibility to decision makers and enhances value through strong partnerships with its clients. Additional information is available at [www.banksocal.com](http://www.banksocal.com).

Southern California Bancorp's common stock is traded on the OTC Markets Group Inc. Pink Open Market under the symbol "BCAL." For more information, please visit [banksocal.com](http://banksocal.com) or call (844) BNK-SOCAL.

### **NON-GAAP FINANCIAL MEASURES**

This press release contains certain non-GAAP financial measures in addition to results presented in accordance with GAAP. The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's results of operations and financial condition and to enhance investors' overall understanding of such results of operations and financial condition, permit investors to effectively analyze financial trends of our business activities, and enhance comparability with peers across the financial services sector. These non-GAAP financial measures are not a substitute for GAAP measures and should be read in conjunction with the Company's GAAP financial information. A reconciliation of GAAP financial measures to non-GAAP financial measures is included in the accompanying financial tables.

### **FORWARD-LOOKING STATEMENTS**

In addition to historical information, certain matters set forth herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including forward-looking statements relating to management's beliefs, projections and assumptions concerning future results and events. Forward-looking statements include descriptions of management's plans or objectives for future operations, products or services, and forecasts of Southern California Bancorp's revenues, earnings, litigation expenses, or other measures of economic performance. As well, forward-looking statements may relate to future outlook and anticipated events. These forward-looking statements involve risks and uncertainties, based on the beliefs and assumptions of management and on the information available to management at the time that such forward-looking statements were made and can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words or phrases such as "aim," "can," "may," "could," "predict," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "hope," "intend," "plan," "potential," "project," "will likely result," "continue," "seek," "shall," "possible," "projection," "optimistic," and "outlook," and variations of these words and similar expressions or the negative version of those words or phrases.

Forward-looking statements involve substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. Many factors could cause actual results to differ materially from those contemplated by these forward-looking statements. Except to the extent required by applicable law or regulation, Southern California Bancorp does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by law.

## Southern California Bancorp and Subsidiary

### Financial Highlights (Unaudited)

	At or for the			At or for the		
	Three Months Ended			Nine Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	
<b>EARNINGS</b>	<i>(\$ in thousands except share and per share data)</i>					
Net interest income	\$ 23,786	\$ 20,936	\$ 16,028	\$ 62,517	\$ 44,078	
Provision for loan losses	\$ 1,300	\$ 1,650	\$ —	\$ 4,800	\$ —	
Noninterest income	\$ 358	\$ 1,526	\$ 1,686	\$ 3,487	\$ 3,988	
Noninterest expense	\$ 13,410	\$ 21,854	\$ 12,679	\$ 50,816	\$ 38,673	
Income tax expense (benefit)	\$ 2,505	\$ (306)	\$ 1,532	\$ 2,749	\$ 2,059	
Net income (loss)	\$ 6,929	\$ (736)	\$ 3,503	\$ 7,639	\$ 7,334	
Pre-tax pre-provision income <sup>(1)</sup>	\$ 10,734	\$ 608	\$ 5,035	\$ 15,188	\$ 9,393	
Adjusted pre-tax pre-provision income <sup>(1)</sup>	\$ 9,651	\$ 7,652	\$ 5,453	\$ 21,673	\$ 10,874	
Diluted earnings (loss) per share	\$ 0.38	\$ (0.04)	\$ 0.25	\$ 0.42	\$ 0.53	
Ending shares outstanding	17,863,525	17,840,626	13,509,081	17,863,525	13,509,081	
<b>PERFORMANCE RATIOS</b>						
Return on average assets	1.18 %	(0.13)%	0.76%	0.44%	0.57%	
Adjusted return on average assets <sup>(1)</sup>	1.05 %	0.73 %	0.84%	0.71%	0.67%	
Return on average common equity	11.02 %	(1.19)%	7.93%	4.11%	5.67%	
Adjusted return on average common equity <sup>(1)</sup>	9.80 %	6.82 %	8.78%	6.58%	6.63%	
Yield on loans	5.09 %	4.74 %	5.30%	4.85%	4.65%	
Yield on earning assets	4.60 %	3.99 %	3.84%	4.05%	3.80%	
Cost of deposits	0.25 %	0.07 %	0.11%	0.14%	0.14%	
Cost of funds	0.31 %	0.13 %	0.18%	0.19%	0.23%	
Net interest margin	4.32 %	3.87 %	3.67%	3.87%	3.59%	
Efficiency ratio <sup>(1)</sup>	55.5 %	97.3 %	71.6%	77.0%	80.5%	
Adjusted efficiency ratio <sup>(1)</sup>	60.0 %	65.9 %	69.2%	67.2%	77.4%	
<b>CAPITAL</b>						
				<b>As of</b>		
				<b>September 30,</b>	<b>June 30,</b>	<b>December 31,</b>
				<b>2022</b>	<b>2022</b>	<b>2021</b>
				<i>(\$ in thousands except share and per share data)</i>		
Tangible equity to tangible assets <sup>(1)</sup>				9.24%	9.06%	9.35%
Book value (BV) per common share	\$	\$	\$	13.96	13.75	13.92
Tangible BV per common share <sup>(1)</sup>	\$	\$	\$	11.75	11.59	11.73
<b>ASSET QUALITY</b>						
Allowance for loan losses (ALLL)	\$	\$	\$	16,436	15,136	11,657
ALLL to total loans				0.89%	0.85%	0.77%
ALLL to total loans (excl PPP)				0.89%	0.86%	0.81%
Nonperforming loans	\$	\$	\$	48	655	809
Other real estate owned	\$	\$	\$	—	—	—
Nonperforming assets to total assets				—%	0.03%	0.04%
<b>END OF PERIOD BALANCES</b>						
Total loans, including loans held for sale	\$	\$	\$	1,849,290	1,772,622	1,504,748
Total assets	\$	\$	\$	2,310,329	2,319,067	2,259,866
Deposits	\$	\$	\$	2,020,079	2,030,233	1,973,098
Loans to deposits				91.5%	87.3%	76.3%
Shareholders' equity	\$	\$	\$	249,432	245,331	246,528

(1) Non-GAAP measure. See – GAAP to Non-GAAP reconciliation.

## Southern California Bancorp and Subsidiary

### Balance Sheets (Unaudited)

	September 30, 2022	June 30, 2022	December 31, 2021
<b>ASSETS</b>		(\$ in thousands)	
Cash and due from banks	\$ 29,167	\$ 38,259	\$ 22,435
Federal funds sold & interest-bearing balances	128,025	203,149	557,571
Total cash and cash equivalents	157,192	241,408	580,006
Securities available-for-sale, at fair value	124,524	125,757	55,567
Securities held-to-maturity, at cost	54,027	54,108	—
Loans held for sale	5,495	1,895	—
Loans held for investment:			
Construction & land development	177,796	149,169	77,629
1-4 family residential	143,764	145,619	133,994
Multifamily	202,415	169,409	175,751
Other commercial real estate	993,344	960,540	766,824
Commercial & industrial	321,192	340,826	349,022
Other consumer	5,284	5,164	1,528
Total loans held for investment	1,843,795	1,770,727	1,504,748
Allowance for loan losses	(16,436)	(15,136)	(11,657)
Total loans held for investment, net	1,827,359	1,755,591	1,493,091
Restricted stock at cost	14,867	14,487	12,493
Premises and equipment	14,506	19,691	19,639
Right of use asset	9,267	8,606	8,069
Goodwill	37,803	36,784	36,784
Core deposit intangible	1,724	1,824	2,022
Bank owned life insurance	37,751	37,531	37,849
Deferred taxes, net	11,993	10,380	5,069
Accrued interest and other assets	13,821	11,005	9,277
Total Assets	<u>\$ 2,310,329</u>	<u>\$ 2,319,067</u>	<u>\$ 2,259,866</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits:			
Noninterest-bearing demand	\$ 993,232	\$ 1,056,790	\$ 986,935
Interest bearing NOW accounts	226,575	223,611	193,525
Money market and savings accounts	689,284	665,844	690,348
Time deposits	110,988	83,988	102,290
Total deposits	2,020,079	2,030,233	1,973,098
Borrowings	17,747	17,723	20,409
Operating lease liability	11,731	9,645	9,002
Accrued interest and other liabilities	11,340	16,135	10,829
Total liabilities	2,060,897	2,073,736	2,013,338
Total shareholders' equity	249,432	245,331	246,528
Total Liabilities and Shareholders' Equity	<u>\$ 2,310,329</u>	<u>\$ 2,319,067</u>	<u>\$ 2,259,866</u>

## Southern California Bancorp and Subsidiary

Income Statements - Quarterly and Year-to-Date (Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(\$ in thousands except share and per share data)				
<b>INTEREST AND DIVIDEND INCOME</b>					
Interest and fees on loans	\$ 22,907	\$ 19,947	\$ 16,374	\$ 60,585	\$ 45,645
Interest on debt securities	1,119	801	84	2,250	316
Interest and dividends from other institutions	1,337	836	322	2,597	698
Total interest and dividend income	25,363	21,584	16,780	65,432	46,659
<b>INTEREST EXPENSE</b>					
Interest on NOW, savings, and money market accounts	1,151	264	296	1,697	1,000
Interest on time deposits	155	81	155	334	601
Interest on borrowings	271	303	301	884	980
Total interest expense	1,577	648	752	2,915	2,581
Net interest income	23,786	20,936	16,028	62,517	44,078
Provision for loan losses	1,300	1,650	—	4,800	—
Net interest income after provision for loan losses	22,486	19,286	16,028	57,717	44,078
<b>NONINTEREST INCOME</b>					
Service charges and fees on deposit accounts	468	385	377	1,340	1,101
Gain on sale of loans	240	767	—	1,056	920
Bank owned life insurance income	222	215	165	1,269	567
Servicing and related income on loans	45	25	46	139	107
Gain on sale of debt securities	—	—	—	—	55
Loss on sale of building and related fixed assets	(768)	—	—	(768)	(4)
Gain on branch sale	—	—	1,017	—	1,017
Other charges and fees	151	134	81	451	225
Total noninterest income	358	1,526	1,686	3,487	3,988
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	8,878	9,361	7,752	28,435	25,725
Occupancy and equipment expenses	1,610	1,732	1,521	4,752	4,172
Data processing	1,008	1,092	812	3,520	2,374
Legal, audit and professional	885	608	545	2,110	1,215
Regulatory assessments	445	421	285	1,205	557
Director and shareholder expenses	311	221	165	727	453
Merger and related expenses	117	544	418	1,185	1,481
Core deposit intangible amortization	99	99	87	297	264
Loss contingency	(975)	6,500	—	5,525	—
Other expense	1,032	1,276	1,094	3,060	2,432
Total noninterest expense	13,410	21,854	12,679	50,816	38,673
Income (loss) before income tax expense (benefit)	9,434	(1,042)	5,035	10,388	9,393
Income tax expense (benefit)	2,505	(306)	1,532	2,749	2,059
Net income (loss)	\$ 6,929	\$ (736)	\$ 3,503	\$ 7,639	\$ 7,334
Net income (loss) per share - basic	\$ 0.39	\$ (0.04)	\$ 0.26	\$ 0.43	\$ 0.55
Net income (loss) per share - diluted	\$ 0.38	\$ (0.04)	\$ 0.25	\$ 0.42	\$ 0.53
Pre-tax, pre-provision income <sup>(1)</sup>	\$ 10,734	\$ 608	\$ 5,035	\$ 15,188	\$ 9,393
Adjusted pre-tax, pre-provision income <sup>(1)</sup>	\$ 9,876	\$ 7,652	\$ 5,453	\$ 21,898	\$ 10,874

(1) Non-GAAP measure. See – GAAP to Non-GAAP reconciliation.

## Southern California Bancorp and Subsidiary

### Average Balance Sheets and Yield Analysis

(Unaudited)

	Three Months Ended								
	September 30, 2022			June 30, 2022			September 30, 2021		
	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost
<b>Assets</b>	(\$ in thousands)								
<b>Interest-earning assets:</b>									
Total non-PPP loans	\$ 1,782,074	\$ 22,879	5.09%	\$ 1,679,902	\$ 19,668	4.70%	\$ 967,044	\$ 11,211	4.60%
Total PPP loans	4,788	28	2.32%	9,072	279	12.34%	259,809	5,163	7.88%
Total loans	1,786,862	22,907	5.09%	1,688,974	19,947	4.74%	1,226,853	16,374	5.30%
Debt securities	183,636	1,119	2.42%	156,602	801	2.05%	23,611	84	1.41%
Deposits in other financial institutions	96,504	528	2.17%	246,506	439	0.71%	460,391	156	0.13%
Fed funds sold/resale agreements	103,515	598	2.29%	64,004	144	0.90%	12,890	5	0.15%
Restricted stock investments and other bank stock	14,855	211	5.64%	14,914	253	6.80%	11,270	161	5.67%
Total interest-earning assets	2,185,372	25,363	4.60%	2,171,000	21,584	3.99%	1,735,015	16,780	3.84%
Total non-interest-earning assets	141,467			137,829			88,530		
<b>Total assets</b>	<b>\$ 2,326,839</b>			<b>\$ 2,308,829</b>			<b>\$ 1,823,545</b>		
<b>Liabilities and Shareholders' Equity</b>									
<b>Interest-bearing liabilities:</b>									
Interest-bearing NOW accounts	\$ 226,394	\$ 54	0.09%	\$ 211,663	\$ 56	0.11%	\$ 131,864	\$ 32	0.10%
Money market and savings accounts	699,276	1,097	0.62%	669,183	208	0.12%	609,194	264	0.17%
Time deposits	95,028	155	0.65%	87,176	81	0.37%	89,377	155	0.69%
Total interest-bearing deposits	1,020,698	1,306	0.51%	968,022	345	0.14%	830,435	451	0.22%
Borrowings:									
FHLB advances	—	—	—%	—	—	—%	—	—	—%
Subordinated debt	17,735	271	6.06%	17,711	271	6.14%	17,640	271	6.10%
TruPS	—	—	—%	2,262	32	5.67%	2,722	30	4.37%
Total borrowings	17,735	271	6.06%	19,973	303	6.08%	20,362	301	5.86%
Total interest-bearing liabilities	1,038,433	1,577	0.60%	987,995	648	0.26%	850,797	752	0.35%
Non-interest-bearing liabilities:									
Noninterest-bearing deposits <sup>(1)</sup>	1,012,619			1,053,615			777,973		
Other liabilities	26,287			18,779			19,481		
Shareholders' equity	249,500			248,440			175,294		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,326,839</b>			<b>\$ 2,308,829</b>			<b>\$ 1,823,545</b>		
Net interest spread			4.00%			3.72%			3.49%
<b>Net interest income and margin</b>	<b>\$ 23,786</b>		<b>4.32%</b>	<b>\$ 20,936</b>		<b>3.87%</b>	<b>\$ 16,028</b>		<b>3.67%</b>
Net interest income and margin excluding PPP loans	\$ 23,758		4.32%	\$ 20,657		3.83%	\$ 10,865		2.92%
Cost of deposits			0.25%			0.07%			0.11%
Cost of funds			0.31%			0.13%			0.18%

(1) Average noninterest-bearing deposits represent 49.80%, 52.12% and 48.37% of average total deposits for the three months ended September 30, 2022, June 30, 2022 and September 30, 2021.

## Southern California Bancorp and Subsidiary

### Average Balance Sheets and Yield Analysis

(Unaudited)

#### Nine Months Ended

	September 30, 2022			September 30, 2021		
	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost
(\$ in thousands)						
<b>Assets</b>						
<b>Interest-earning assets:</b>						
Total non-PPP loans	\$ 1,653,830	\$ 58,956	4.77%	\$ 916,290	\$ 32,751	4.78%
Total PPP loans	16,132	1,629	13.50%	395,345	12,894	4.36%
Total loans	1,669,962	60,585	4.85%	1,311,635	45,645	4.65%
Debt securities	142,922	2,250	2.10%	23,885	316	1.77%
Deposits in other financial institutions	267,650	1,161	0.58%	279,357	242	0.12%
Fed funds sold/resale agreements	64,072	753	1.57%	14,881	11	0.10%
Restricted stock investments and other bank stock	14,596	683	6.26%	10,599	445	5.61%
Total interest-earning assets	2,159,202	65,432	4.05%	1,640,357	46,659	3.80%
Total non-interest-earning assets	139,533			83,763		
<b>Total assets</b>	<b>\$ 2,298,735</b>			<b>\$ 1,724,120</b>		
<b>Liabilities and Shareholders' Equity</b>						
<b>Interest-bearing liabilities:</b>						
Interest-bearing NOW accounts	\$ 209,660	\$ 191	0.12%	\$ 118,766	\$ 107	0.12%
Money market and savings accounts	687,557	1,506	0.29%	553,958	893	0.22%
Time deposits	93,071	334	0.48%	103,536	601	0.78%
Total interest-bearing deposits	990,288	2,031	0.27%	776,260	1,601	0.28%
Borrowings:						
FHLB advances	—	—	—%	4,670	—	—%
Paycheck Protection Program Liquidity Facility	—	—	—%	22,929	60	0.35%
Subordinated debt	17,711	814	6.14%	17,616	813	6.17%
TruPS	1,656	70	5.65%	2,714	107	5.27%
Total borrowings	19,367	884	6.10%	47,929	980	2.73%
Total interest-bearing liabilities	1,009,655	2,915	0.39%	824,189	2,581	0.42%
Non-interest-bearing liabilities:						
Noninterest-bearing deposits <sup>(1)</sup>	1,018,889			708,456		
Other liabilities	21,628			18,407		
Shareholders' equity	248,563			173,068		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,298,735</b>			<b>\$ 1,724,120</b>		
Net interest spread			3.66%			3.38%
<b>Net interest income and margin</b>	<b>\$ 62,517</b>		<b>3.87%</b>	<b>\$ 44,078</b>		<b>3.59%</b>
Net interest income and margin excluding PPP loans	\$ 60,888		3.80%	\$ 31,184		3.35%
Cost of deposits			0.14%			0.14%
Cost of funds			0.19%			0.23%

(1) Average noninterest-bearing deposits represent 50.71%, and 47.72% of average total deposits for the nine months ended September 30, 2022, and September 30, 2021.

## Southern California Bancorp and Subsidiary

### GAAP to Non-GAAP Reconciliation

(Unaudited)

The following tables present a reconciliation of non-GAAP financial measures to GAAP measures for: (1) adjusted net income, (2) efficiency ratio, (3) adjusted efficiency ratio, (4) pre-tax pre-provision income, (5) adjusted pre-tax pre-provision income, (6) average tangible common equity, (7) adjusted return on average assets, (8) adjusted return on average equity, (9) return on average tangible common equity, (10) adjusted return on average tangible common equity, (11) tangible common equity, (12) tangible assets, (13) tangible common equity to tangible asset ratio, and (14) tangible book value per share. We believe the presentation of certain non-GAAP financial measures provides useful information to assess our consolidated financial condition and consolidated results of operations and to assist investors in evaluating our financial results relative to our peers. These non-GAAP financial measures complement our GAAP reporting and are presented below to provide investors and others with information that we use to manage the business each period. Because not all companies use identical calculations, the presentation of these non-GAAP financial measures may not be comparable to other similarly titled measures used by other companies. These non-GAAP measures should be taken together with the corresponding GAAP measures and should not be considered a substitute of the GAAP measures.

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(\$ in thousands)				
<b>Adjusted net income</b>					
Net income (loss)	\$ 6,929	\$ (736)	\$ 3,503	\$ 7,639	\$ 7,334
Add: After-tax merger and related expenses	82	383	375	852	1,253
Add: After-tax loss contingency	(845)	4,579	—	3,734	—
Adjusted net income (non-GAAP)	<u>\$ 6,166</u>	<u>\$ 4,226</u>	<u>\$ 3,878</u>	<u>\$ 12,225</u>	<u>\$ 8,587</u>
<b>Efficiency Ratio</b>					
Noninterest expense	\$ 13,410	\$ 21,854	\$ 12,679	\$ 50,816	\$ 38,673
Less: Merger and related expenses	117	544	418	1,185	1,481
(Add)/less: Loss contingency	(1,200)	6,500	—	5,300	—
Adjusted noninterest expense	<u>\$ 14,493</u>	<u>\$ 14,810</u>	<u>\$ 12,261</u>	<u>\$ 44,331</u>	<u>\$ 37,192</u>
Net interest income	23,786	20,936	16,028	62,517	44,078
Noninterest income	358	1,526	1,686	3,487	3,988
Total net interest income and noninterest income	<u>\$ 24,144</u>	<u>\$ 22,462</u>	<u>\$ 17,714</u>	<u>\$ 66,004</u>	<u>\$ 48,066</u>
Efficiency ratio (non-GAAP)	55.5%	97.3%	71.6%	77.0%	80.5%
Adjusted efficiency ratio (non-GAAP)	60.0%	65.9%	69.2%	67.2%	77.4%
<b>Pre-tax pre-provision income</b>					
Net interest income	\$ 23,786	\$ 20,936	\$ 16,028	\$ 62,517	\$ 44,078
Noninterest income	358	1,526	1,686	3,487	3,988
Total net interest income and noninterest income	24,144	22,462	17,714	66,004	48,066
Less: Noninterest expense	13,410	21,854	12,679	50,816	38,673
Pre-tax pre-provision income (non-GAAP)	\$ 10,734	\$ 608	\$ 5,035	\$ 15,188	\$ 9,393
Add: Merger and related expenses	117	544	418	1,185	1,481
(Deduct)/add: Loss contingency	(1,200)	6,500	—	5,300	—
Adjusted pre-tax pre-provision income (non-GAAP)	<u>\$ 9,651</u>	<u>\$ 7,652</u>	<u>\$ 5,453</u>	<u>\$ 21,673</u>	<u>\$ 10,874</u>
<b>Return on Average Assets, Equity, and Tangible Equity</b>					
Net income (loss)	\$ 6,929	\$ (736)	\$ 3,503	\$ 7,639	\$ 7,334
Adjusted net income (non-GAAP)	\$ 6,166	\$ 4,226	\$ 3,878	\$ 12,225	\$ 8,587

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(\$ in thousands)				
Average assets	\$ 2,326,839	\$ 2,308,829	\$ 1,823,545	\$ 2,298,735	\$ 1,724,120
Average shareholders' equity	249,500	248,440	175,294	248,563	173,068
Less: Average intangible assets	38,940	38,655	21,214	38,786	21,415
Average tangible common equity (non-GAAP)	<u>\$ 210,560</u>	<u>\$ 209,785</u>	<u>\$ 154,080</u>	<u>\$ 209,777</u>	<u>\$ 151,653</u>
Return on average assets	1.18%	(0.13%)	0.76%	0.44%	0.57%
Adjusted return on average assets (non-GAAP)	1.05%	0.73%	0.84%	0.71%	0.67%
Return on average equity	11.02%	(1.19%)	7.93%	4.11%	5.67%
Adjusted return on average equity (non-GAAP)	9.80%	6.82%	8.78%	6.58%	6.63%
Return on average tangible common equity (non-GAAP)	13.06%	(1.41%)	9.02%	4.87%	6.47%
Adjusted return on average tangible common equity (non-GAAP)	11.62%	8.08%	9.99%	7.79%	7.57%

	September 30, 2022	June 30, 2022	December 31, 2021
	(\$ in thousands except share and per share data)		
<b>Tangible Common Equity Ratio/Tangible Book Value Per Share</b>			
Shareholders' equity	\$ 249,432	\$ 245,331	\$ 246,528
Less: Intangible assets	39,527	38,608	38,806
Tangible common equity (non-GAAP)	<u>\$ 209,905</u>	<u>\$ 206,723</u>	<u>\$ 207,722</u>
Total assets	\$ 2,310,329	\$ 2,319,067	\$ 2,259,866
Less: Intangible assets	39,527	38,608	38,806
Tangible assets (non-GAAP)	<u>\$ 2,270,802</u>	<u>\$ 2,280,459</u>	<u>\$ 2,221,060</u>
Equity to asset ratio	10.80%	10.58%	10.91%
Tangible common equity to tangible asset ratio (non-GAAP)	9.24%	9.06%	9.35%
Book value per share	\$ 13.96	\$ 13.75	\$ 13.92
Tangible book value per share (non-GAAP)	\$ 11.75	\$ 11.59	\$ 11.73
Shares outstanding	17,863,525	17,840,626	17,707,737

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