



## **California Bank of Commerce**

### **Reports Profits Increased 78% to \$1.7 Million, or \$0.285 per Share in Q1-2017**

#### **Robust Loan Growth, Strong Asset Quality and Healthy Margin Fuel Profitability**

Company Release - 4/26/2017

LAFAYETTE, California -- (Globe Newswire) -- California Bank of Commerce (OTCQX: CABC), a San Francisco Bay Area business bank, today reported near record profits in the first quarter of 2017. Earnings grew 78% to \$1.7 million from \$943,000 in the first quarter of 2016. Profitability was fueled by robust loan growth, continuing strong credit quality, above average net interest margin, and improving operating efficiencies. Return on average assets (ROAA) improved to 0.91% and return on average tangible common equity (ROTCE) was 9.66% in the first quarter of 2017. All financial results are unaudited.

"Our first quarter profits were the second-best results achieved in our history, coming in just below record earnings of \$1.8 million generated in the fourth quarter of 2016," said Terry A. Peterson, President and CEO. "The San Francisco Bay Area continues to be one of the nation's most vibrant economies. The very experienced bankers on our Team continue to drive our exceptional growth and financial performance."

#### **Financial Highlights**

##### **First Quarter 2017 vs. Fourth Quarter 2016 and First Quarter of 2016**

- Net income grew 78% to \$1.7 million, or \$0.285 per share compared to \$943,000, or \$0.170 per share in the year ago quarter and decreased from the record \$1.8 million, or \$0.304 per share, earned in the preceding quarter.
- Pretax merger related costs did not impact 1Q-17 net income, but reduced 4Q-16 pre-tax income by \$66,000 and 1Q-16 by \$248,000.
- ROAA improved to 0.91% and ROTCE was 9.66% in the first quarter of 2017.
- Net interest margin was 4.26%, up 32 basis points from 3.94% in the preceding quarter and down 13 basis points from 4.39% in the year prior quarter. "Our deposit flow is seasonal, which impacts our loan to deposit ratio and net interest margin during the first half of the year," added Peterson.
- The efficiency ratio, which measures operating expenses as a percent of revenue, improved significantly to 59.46% from 73.35% in the first quarter a year ago, and was marginally higher than the 58.33% generated in the preceding quarter.
- The ratio of net operating expense to average assets improved to 2.17% from 2.84% a year ago.
- Total assets grew 20% to \$762.9 million at quarter-end compared to \$636.9 million a year ago, an increase of \$126 million.

- Total loans, net of deferred costs, grew 27% to \$677.2 million from to \$531.6 million a year ago, an increase of \$145.6 million.
- Total deposits grew 27% to \$667.3 million as of March 31, 2017, an increase of \$140.6 million, compared to \$526.8 million a year ago.
- Non-interest bearing deposits increased to \$288.2 million, up 47% from a year ago, an increase of \$92.4 million.
- Tangible book value per common share increased 11% to \$12.04 as of March 31, 2017, compared to \$10.89 a year ago.

## Peer Comparisons

“Our performance metrics continue to improve and compare favorably with the 564 banks included in the SNL Micro Cap Bank Index on almost every measurable value,” said Peterson.

| PERFORMANCE RATIOS:                  | CABC   | SNL US Micro Cap<br>Bank Index* |
|--------------------------------------|--------|---------------------------------|
|                                      | 1Q17   | 4Q16                            |
| Return on average assets             | 0.91%  | 0.80%                           |
| Return on average equity             | 8.71%  | 8.19%                           |
| Net interest margin                  | 4.26%  | 3.60%                           |
| Efficiency ratio                     | 59.46% | 69.16%                          |
| Net operating expense/average assets | 2.17%  | 2.08%                           |
| Nonperforming loans/loans            | 0.31%  | 1.41%                           |
| Allowance for loan losses/loans      | 1.20%  | 1.24%                           |
| Allowance for loan losses/NPAs       | 388%   | 69%                             |

\* SNL Micro Cap U.S. Bank : Includes all publicly traded (NYSE, NYSE MKT, NASDAQ, OTC) Banks in SNL's coverage universe with less than \$250M Total Common Market Capitalization as of most recent pricing data.

## Credit Quality

Credit quality remains strong, with non-performing assets to total assets improving to 0.27% at March 31, 2017, compared to 0.35% at March 31, 2016. The loan loss reserve was \$8.1 million at March 31, 2017, increasing by \$575,000 for the quarter, and \$1.9 million over the prior year quarter-end. The ratio of the reserve to total loans was 1.20% on March 31, 2017, up from 1.17% at March 31, 2016. “We continue to build reserves to support the strong loan growth we are generating,” said Randall Greenfield, Chief Financial Officer.

“The middle market businesses in the San Francisco Bay Area appreciate our ability to provide customized commercial lending and treasury management solutions,” said Stephen Cortese, Chairman of the Board for California Bank of Commerce. “The investments we made in the past several years in experienced bankers and infrastructure continue to build momentum and accelerate our profitability.”

Please see our detailed first quarter 2017 Unaudited Summary Financial Statements for more information.

### **About California Bank of Commerce**

California Bank of Commerce offers a broad range of commercial banking services to closely held businesses and professionals located throughout the San Francisco Bay Area. The stock trades on the OTCQX marketplace under the symbol CABC. For more information on California Bank of Commerce, call us at (510) 457-3751, or visit us at [www.californiabankofcommerce.com](http://www.californiabankofcommerce.com).

California Bank of Commerce  
Terry A. Peterson, (510) 457-3751  
President and CEO  
[tpeterson@bankcbc.com](mailto:tpeterson@bankcbc.com)

Randall D. Greenfield, (510) 457-3769  
EVP and Chief Financial Officer  
[rgreenfield@bankcbc.com](mailto:rgreenfield@bankcbc.com)

Source: California Bank of Commerce

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**CALIFORNIA BANK OF COMMERCE**  
**UNAUDITED SUMMARY FINANCIAL STATEMENTS**

**INCOME STATEMENT**  
**(\$ Thousands)**

|  | Three Months Ended |                 |               | Year Over Year Change |            |
|--|--------------------|-----------------|---------------|-----------------------|------------|
|  | 31-Mar-17          | 31-Dec-16       | 31-Mar-16     | \$                    | %          |
| Interest income                                  | \$ 7,826           | \$ 7,784        | \$ 6,820      | \$ 1,006              | 15%        |
| Interest expense                                 | (534)              | (601)           | (422)         | (112)                 | 27%        |
| Net interest income before provision             | 7,292              | 7,183           | 6,398         | 894                   | 14%        |
| Provision to the Loan Loss Reserve               | (550)              | (412)           | (115)         | (435)                 | NA         |
| Net interest income after provision              | \$ 6,742           | \$ 6,771        | \$ 6,283      | \$ 459                | 7%         |
| Non-interest income                              | 756                | 974             | 607           | 149                   | 25%        |
| Non-interest expense                             | (4,785)            | (4,824)         | (5,386)       | 601                   | -11%       |
| Income before tax provision                      | 2,713              | 2,921           | 1,504         | 1,209                 | 80%        |
| Provision for income taxes                       | (1,038)            | (1,135)         | (561)         | (477)                 | 85%        |
| Net income                                       | <u>\$ 1,675</u>    | <u>\$ 1,786</u> | <u>\$ 943</u> | <u>\$ 732</u>         | <u>78%</u> |
| Preferred Dividends                              | -                  | -               | 67            | (67)                  | -100%      |
| Income to Common Shareholders                    | <u>\$ 1,675</u>    | <u>\$ 1,786</u> | <u>\$ 876</u> | <u>\$ 799</u>         | <u>91%</u> |
| Basic Earnings per Common share                  | \$ 0.285           | \$ 0.304        | \$ 0.158      | \$ 0.127              | 80%        |
| Weighted average shares outstanding              | 5,873,474          | 5,871,752       | 5,542,507     |                       |            |
| Return on Average Assets                         | 0.91%              | 0.91%           | 0.59%         |                       |            |
| Return on Average Tangible Common Equity         | 9.66%              | 10.35%          | 6.29%         |                       |            |
| Merger Expenses                                  | \$ -               | \$ 66           | \$ 248        |                       |            |
| Non-interest Expense to Average Total Assets *   | 2.60%              | 2.43%           | 3.22%         |                       |            |
| Net Operating Expense to Average Total Assets ** | 2.17%              | 1.95%           | 2.84%         |                       |            |
| Efficiency Ratio *                               | 59.46%             | 58.33%          | 73.35%        |                       |            |

\*Excludes one-time merger expenses

\*\*Excludes one-time merger expenses and includes non-interest income

**CALIFORNIA BANK OF COMMERCE**  
**UNAUDITED SUMMARY FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**(\$ Thousands)**

|   | <b>31-Mar-17</b>        | <b>31-Dec-16</b>        | <b>31-Mar-16</b>        | <b>Year Over Year Change</b> |            |
|---|-------------------------|-------------------------|-------------------------|------------------------------|------------|
|   |                         |                         |                         | <b>\$</b>                    | <b>%</b>   |
| <b>Assets</b>                                       |                         |                         |                         |                              |            |
| Total Cash and Investments                          | \$ 54,930               | \$ 105,818              | \$ 73,212               | \$ (18,282)                  | -25%       |
| Loans, net of deferred costs/fees                   | 677,183                 | 627,509                 | 531,579                 | 145,604                      | 27%        |
| Loan Loss Reserve                                   | (8,100)                 | (7,525)                 | (6,200)                 | (1,900)                      | 31%        |
| Other   | 38,932                  | 39,041                  | 38,344                  | 588                          | 2%         |
| <b>Total Assets</b>                                 | <b>\$ 762,945</b>       | <b>\$ 764,843</b>       | <b>\$ 636,935</b>       | <b>\$ 126,010</b>            | <b>20%</b> |
| <b>Liabilities &amp; Shareholders' Equity</b>       |                         |                         |                         |                              |            |
| Non-interest Bearing Deposits                       | \$ 288,153              | \$ 284,674              | \$ 195,709              | \$ 92,444                    | 47%        |
| Interest Bearing Deposits                           | 379,195                 | 365,373                 | 331,045                 | 48,150                       | 15%        |
| Total Deposits                                      | \$ 667,348              | \$ 650,047              | \$ 526,754              | \$ 140,594                   | 27%        |
| Total Borrowings and Other Liabilities              | 17,222                  | 38,226                  | 31,136                  | (13,914)                     | -45%       |
| Total Liabilities                                   | \$ 684,570              | \$ 688,273              | \$ 557,890              | \$ 126,680                   | 23%        |
| Shareholder's Equity                                | 78,375                  | 76,570                  | 79,045                  | (670)                        | -1%        |
| <b>Total Liabilities &amp; Shareholders' Equity</b> | <b>\$ 762,945</b>       | <b>\$ 764,843</b>       | <b>\$ 636,935</b>       | <b>\$ 126,010</b>            | <b>20%</b> |
| Common Shares Outstanding                           | 5,875,502               | 5,871,752               | 5,542,837               | 332,665                      | 6%         |
| Tangible Book Value per Common Share                | \$ 12.04                | \$ 11.72                | \$ 10.89                | \$ 1.15                      | 11%        |
| <b><u>Average Balances - Period</u></b>             | <b><u>1Q 2017</u></b>   | <b><u>4Q 2016</u></b>   | <b><u>1Q 2016</u></b>   |                              |            |
| Total Assets  | \$ 746,126              | \$ 776,724              | \$ 639,321              |                              |            |
| Total Loans   | \$ 643,431              | \$ 612,474              | \$ 519,143              |                              |            |
| Total Investments                                   | \$ 15,287               | \$ 16,030               | \$ 24,996               |                              |            |
| Total Earning Assets                                | \$ 693,927              | \$ 722,948              | \$ 585,100              |                              |            |
| Total Non-Interest Bearing Deposits                 | \$ 261,662              | \$ 277,080              | \$ 208,324              |                              |            |
| Total Deposits                                      | \$ 641,259              | \$ 662,912              | \$ 528,212              |                              |            |
| Total Borrowings                                    | \$ 23,437               | \$ 33,924               | \$ 29,000               |                              |            |
| Tangible Common Equity                              | \$ 70,333               | \$ 68,448               | \$ 60,146               |                              |            |
| <b><u>Average Yields and Cost</u></b>               | <b><u>1Q 2017</u></b>   | <b><u>4Q 2016</u></b>   | <b><u>1Q 2016</u></b>   |                              |            |
| Net Interest Margin                                 | 4.26%                   | 3.94%                   | 4.39%                   |                              |            |
| Yield on Earning Assets                             | 4.57%                   | 4.27%                   | 4.68%                   |                              |            |
| Cost of Interest Bearing Liabilities                | 0.54%                   | 0.57%                   | 0.49%                   |                              |            |
| <b><u>End of Period</u></b>                         | <b><u>31-Mar-17</u></b> | <b><u>31-Dec-16</u></b> | <b><u>31-Mar-16</u></b> |                              |            |
| Loan Loss Reserve to Total Loans                    | 1.20%                   | 1.20%                   | 1.17%                   |                              |            |
| NPAs (including accruing TDRs) to Total Assets      | 0.27%                   | 0.28%                   | 0.35%                   |                              |            |
| Accruing TDRs to Total Assets                       | 0.18%                   | 0.19%                   | 0.17%                   |                              |            |

Note: Transmitted on Globe Newswire on April 26, 2017 at 6:00 a.m. PDT.