Consolidated Financial Report

(UNAUDITED)

First Quarter and Three Months Ended

September 30, 2017

California First National Bancorp, a California corporation (the "Company"), is a bank holding company headquartered in Orange County, California with a bank subsidiary, California First National Bank ("CalFirst Bank" or the "Bank") and a leasing subsidiary, California First Leasing Corporation ("CalFirst Leasing"). The primary business of the Company is secured financing provided through leasing and financing capital assets, commercial loans acquired through participation in the syndicated commercial loan market, by providing non-recourse loans to third parties secured by leases and equipment, and direct commercial loans. The Bank, responsible for substantially all lease and loan origination, gathers deposits through posting rates on the Internet and conducts all banking and other operations from one central location.

This financial report contains forward-looking statements which involve management assumptions, risks and uncertainties. The statements in this report that are not strictly historical in nature constitute "forward-looking statements." Such statements include, but are not limited to, beliefs regarding the impact of regulatory prohibitions on commercial loan activities, the adequacy of reserves for credit losses, future liquidity requirements and risks related to changes in interest rates and security markets. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to be different from the results expressed or implied by such forward-looking statements. Consequently, if such management assumptions prove to be incorrect or such risks or uncertainties materialize, the Company's actual results could differ materially from the results forecast in the forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement, and the Company undertakes no obligation to revise or update this release to reflect events or circumstances arising after the date hereof.

CONSOLIDATED BALANCE SHEETS
(in thousands, except for share amounts)

	September 30, 2017 (Unaudited)	June 30, 2017
ASSETS		
Cash and due from banks	$ 63,240	$ 96,055
Securities available-for-sale	101,588	95,509
Investments	4,280	4,281
Receivables	1,199	840
Property acquired for transactions in process	24,886	17,101
Loans held for sale	25,470	-
Leases and loans:		
Net investment in leases	187,012	192,741
Commercial loans	224,151	311,213
Allowance for credit losses	(6,619)	(7,147)
Net investment in leases and loans	404,544	496,807
Net property on operating leases	2,178	2,319
Income taxes receivable	991	1,088
Other assets	1,029	1,306
Discounted lease rentals assigned to lenders	111	279
Total Assets	$ 629,516	$ 715,585
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand and savings deposits	$ 82,348	$ 90,867
Time certificates of deposit	295,588	377,767
Short-term borrowings	40,000	40,000
Accounts payable	1,274	1,087
Accrued liabilities	2,463	2,536
Lease deposits	1,588	1,346
Non-recourse debt	111	279
Deferred income taxes, net	7,305	5,569
Total Liabilities	430,677	519,451
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock; 2,500,000 shares authorized; none issued	-	-
Common stock; $.01 par value; 20,000,000 shares authorized; 10,284,139 (September 2017) and 10,283,807 (June 2017) issued and outstanding	103	103
Additional paid in capital	2,314	2,309
Retained earnings	196,023	193,728
Accumulated other comprehensive income, net of tax	399	(6)
Total Stockholders' Equity	198,839	196,134
Total Liabilities and Stockholders' Equity	$ 629,516	$ 715,585

CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016
	(thousands, except share and per share amounts)	
Finance and loan income	$ 5,442	$ 6,583
Investment interest income	789	661
Total interest income	6,231	7,244
Interest expense		
Deposits	1,129	1,895
Borrowings	117	43
Net interest income	4,985	5,306
Provision for credit losses	(500)	300
Net interest income after provision for credit losses	5,485	5,006
Non-interest income		
Operating and sales-type lease income	606	584
Gain on sale of leases, loans and leased property	261	234
Other fee income	83	97
Total non-interest income	950	915
Non-interest expenses		
Compensation and employee benefits	1,806	1,887
Occupancy	172	174
Professional and IT services	276	288
FDIC and regulatory fees	98	154
Other general and administrative	221	182
Total non-interest expenses	2,573	2,685
Earnings before income taxes	3,862	3,236
Income taxes	1,567	1,278
Net earnings	$ 2,295	$ 1,958
Earnings per common share	$ 0.22	$ 0.19
Average common shares outstanding	10,284,182	10,279,807

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED) (in thousands)

	2017	2016
Net earnings	$ 2,295	$ 1,958
Other comprehensive loss:		
Unrealized gains/(losses) on securities available-for-sale	681	(331)
Tax effect	(276)	131
Total other comprehensive income / (loss)	405	(200)
Total comprehensive income	$ 2,700	$ 1,758

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)
(in thousands, except share amounts)

	Shares	Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Three months ended September 30, 2017						
Balance, June 30, 2017	10,283,807	$ 103	$ 2,309	$ 193,728	$ (6)	$ 196,134
Net earnings	-	-	-	2,295	-	2,295
Other comprehensive income	-	-	-	-	405	405
Shares issued - stock options exercised	332	-	5	-	-	5
Balance, September 30, 2017	10,284,139	$ 103	$ 2,314	$ 196,023	$ 399	$ 198,839

CONSOLIDATED STATEMENTS OF CASH FLOWS (*UNAUDITED*)

(in thousands)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	$ 2,295	$ 1,958
Adjustments to reconcile net earnings to cash flows provided by (used for) operating activities:		
Provision for credit losses	(500)	300
Depreciation and net accretion	(140)	(12)
Gain on sale of loans held for sale	(154)	-
Proceeds from sales of loans held for sale	34,057	-
Gain on sale of leased property and sales-type lease income	(228)	(46)
Deferred income taxes, including income taxes payable	1,462	(207)
Decrease in income taxes receivable	97	70
Net decrease in accounts payable and accrued liabilities	(73)	(1,335)
Other, net	(100)	(557)
Net cash provided by operating activities	36,716	171
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in leases, loans and transactions in process	(30,513)	(78,686)
Payments received on lease receivables and loans	56,266	70,115
Proceeds from sales of leased property and sales-type leases	613	1,100
Proceeds from sales and assignments of leases	-	4,469
Purchase of investment securities	(6,821)	-
Pay down on investment securities	1,367	1,773
Net decrease in other assets	250	100
Net cash provided by (used for) investing activities	21,162	(1,129)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in time certificates of deposit	(82,179)	(3,538)
Net (decrease) increase in demand and savings deposits	(8,519)	71
Proceeds from exercise of stock options	5	-
Net cash used for financing activities	(90,693)	(3,467)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,815)	(4,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	96,055	105,094
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 63,240	$ 100,669
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Decrease in lease rentals assigned to lenders and related non-recourse debt	$ (167)	$ (1,415)
Estimated residual values recorded on leases	$ (52)	$ (36)
Interest paid on deposits and borrowed funds	$ 1,299	$ 1,965
Income taxes paid	$ 9	$ 1,414
Transfers from loans held for investment to loans held for sale	$ 59,398	$ -

DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THREE MONTHS ENDED SEPTEMBER 30, 2017

Overview of Results and Trends

Net earnings for the first quarter ended September 30, 2017 of $2.3 million were up 17.2% from the first quarter of fiscal 2017, benefitting from a 9.6% increase in net interest income after provision for credit losses. Earnings per common share of $0.22 for the first quarter of fiscal 2018 increased 17.1% from $0.19 for the first quarter of fiscal 2017. The 2018 earnings per share included an increase in the average shares outstanding.

Due to restrictions on CalFirst Bank's ability to participate in new syndicated commercial loans, the Company has originated no loans since January 2017 and has seen a high volume of loan payoffs such that the commercial loan portfolio declined by 28% during the 2018 first quarter to $219.5 million from $306 million at June 30, 2017. Total assets decreased 12.0% to $629.5 million, with net worth at $198.8 million and a common equity tier 1 capital of 37.1%.

Lease bookings of $24.5 million for the first quarter of fiscal 2018 were down 19.7% from $30.5 million during the first quarter of fiscal 2017. New lease originations during the first quarter of fiscal 2018 were down significantly, and as a result, the backlog of approved lease commitments of $56.9 million at September 30, 2017 was 37% below the level of a year ago but relatively unchanged from June 30, 2017.

Net Interest Income

Net interest income is the difference between interest earned on the investment in leases, loans, securities and other interest earning assets and interest paid on deposits and borrowings. Net interest income is affected by changes in the volume and mix of interest earning assets and the movement of interest rates. The following table presents the components of the increases (decreases) in net finance, loan and interest income before provision for credit losses by volume and rate:

	Quarter ended September 30, 2017 vs 2016		
	Volume	Rate	Total
		(in thousands)	
Interest income			
Net investment in leases	$ (489)	$ 376	$ (113)
Commercial loans	(1,160)	132	(1,028)
Investment securities	23	28	51
Interest-earning deposits with banks	(54)	131	77
	(1,680)	667	(1,013)
Interest expense			
Demand and savings deposits	2	(31)	(29)
Time deposits	(672)	(65)	(737)
Borrowings	-	74	74
	(670)	(22)	(692)
Net interest income	$ (1,010)	$ 689	$ (321)

Total interest income for the first quarter ending September 30, 2017 decreased 14.0% to $6.2 million from $7.2 million for the first quarter of fiscal 2017. This decrease includes a $1.0 million, or 27.2%, decrease in commercial loan income and $112,900 decrease in finance income, offset by a $128,100 increase in investment income. The decline in commercial loan income reflected a 30.6% decrease in average loan balances to $281.4 million and a 19 basis point increase in average loan yield. The decrease in finance income was due to a 17.5% decrease in average lease balances to $184.4 million offset by an 82 basis point improvement in the average yield that benefitted from accelerated finance income from early terminated leases. Without that boost, the average lease yield in the quarter was still up 18 basis points. For the first quarter of fiscal 2018, the average yield on cash and investments of 1.81% was up 55 basis points from the first quarter of fiscal 2017 largely due to a 72 basis points increase in yields earned on Fed Funds that offset a 35.6% decline in cash balances.

Interest expense paid decreased 35.7% to $1.2 million, reflecting a 31.9% decrease in the average balance of deposits and borrowings to $457.2 million and a 6 basis point decrease in average rate paid to 1.09%. The decline in interest costs is largely due to a 12 basis point decrease in average deposit rates to 1.08%, with the total funding cost decrease tempered by a 74 basis point increase in average rate of borrowings to 1.17% that were maintained at $40 million throughout the period.

The following table presents the Company's average balances, finance and loan income and interest earned or interest paid, the related yields and rates on major categories of the Company's interest-earning assets and interest-bearing liabilities. Yields/rates are presented on an annualized basis.

(dollars in thousands)	Quarter ended September 30, 2017			Quarter ended September 30, 2016		
Assets	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Interest-earning assets						
Interest-earning deposits with banks	$ 73,045	$ 228	1.25%	$ 113,406	$ 151	0.53%
Investment securities	101,529	561	2.21%	97,113	510	2.10%
Commercial loans	281,432	2,760	3.92%	405,694	3,788	3.73%
Net investment in leases	184,385	2,682	5.82%	223,493	2,795	5.00%
Total interest-earning assets	640,391	6,231	3.89%	839,706	7,244	3.45%
Other assets	29,525			47,084		
	$ 669,916			$ 886,790		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities						
Demand and savings deposits	80,177	141	0.70%	79,360	170	0.86%
Time deposits	336,985	988	1.17%	551,963	1,725	1.25%
Other borrowings	40,000	117	1.17%	40,000	43	0.43%
Total interest bearing liabilities	457,162	1,246	1.09%	671,323	1,938	1.15%
Non-interest bearing demand deposits	4,541			2,134		
Other liabilities	10,940			21,088		
Shareholders' equity	197,273			192,245		
	$ 669,916			$ 886,790		
Net interest income		$ 4,985			$ 5,306	
Net interest spread (2)			2.80%			2.30%
Net interest margin (3)			3.11%			2.53%
Average interest earning assets over average interest bearing liabilities			140.1%			125.1%

(1) Average balance is based on month-end balances, includes non-accrual leases, and is presented net of unearned income.
(2) Net interest spread is equal to the difference between the average yield on interest earning assets and the average rate paid on interest-bearing liabilities.
(3) Net interest margin represents net interest income as a percent of average interest earning assets.

The average yield on all interest-earning assets for the first quarter of fiscal 2018 increased to 3.89% from 3.45% for the first quarter ended September 30, 2016, while the average rate paid on all interest-bearing liabilities decreased by 6 basis points to 1.09%. As a result, the net interest margin increased to 3.11% in the first quarter of fiscal 2018 from 2.53% in the first quarter of fiscal 2017. The average yield on interest earning assets can fluctuate from quarter to quarter due to transaction activity in both the lease and loan portfolio.

Provision for Credit Losses
The Company released reserves of $500,000 from the allowance for credit losses during the first quarter of fiscal 2018, which compared to a $300,000 provision made during the quarter ending September 30, 2016. The first quarter 2018 release of reserves recognizes the 28% decline in the loan portfolio since June 30, 2017 while the overall credit profile of the portfolios remained stable.

Non-interest Income
Total non-interest income for the first quarter of fiscal 2018 increased by 3.9% to $950,000 from $915,000 in the first quarter of the prior year. The change included a slight decrease in income from end of term transactions that was offset by $153,600 in gains realized on the sale of loans.

Non-interest Expenses
The Company's non-interest expenses of $2.6 million reported for the quarter ended September 30, 2017 declined by $111,300 or 4.1% from $2.7 million in the first quarter of fiscal 2017. The decrease included over $250,000 reduction in compensation and other direct expenses that were offset by lower deferred SG&A during the period.

Income Taxes
Income taxes were accrued at a tax rate of 40.6% and 39.5% for the first quarter ended September 30, 2017 and 2016, respectively, representing the estimated annual tax rate at the end of each respective first quarter. The increase in the fiscal 2018 tax rate relates primarily to state apportionment changes.

Financial Condition Analysis

Consolidated total assets at September 30, 2017 of $629.5 million were down 12.0% from $715.6 million at June 30, 2017 and 28.8% from September 30, 2016. The change since June 30, 2017 reflects an $86.5 million decrease in the commercial loan portfolio, declines in the net investment in leases of $5.7 million and $32.8 million in cash and due from banks, offset by increases in property acquired for transactions in process of $7.8 million and securities available-for-sale of $6.1 million.

Lease Portfolio

During the three months ended September 30, 2017 and 2016, 100% of the new leases booked were originated directly by the Company and retained in its own portfolios. The Company's net investment in leases consisted of the following:

	September 30, 2017	June 30, 2017
	(in thousands)	
Minimum lease payments receivable	$ 194,682	$ 200,516
Estimated residual value	5,916	6,226
Less unearned income	(13,586)	(14,001)
Net investment in leases before allowances	187,012	192,741
Less allowance for lease losses	(1,866)	(1,881)
Less valuation allowance for estimated residual value	(62)	(62)
Net investment in leases	$ 185,084	$ 190,798

The Company often makes payments to purchase leased property prior to the commencement of the lease. The disbursements for these lease transactions in process are generally made to facilitate the lessees' property implementation schedule. The lessee generally is obligated by the lease to make rental payments directly to the Company during the period that the transaction is in process, and contractually obligated to reimburse the Company for all disbursements under certain circumstances. Income is not recognized while a transaction is in process and prior to the commencement of the lease. At September 30, 2017, the Company's investment in property acquired for transactions in process of $24.9 million was up from $17.1 million at June 30, 2017, but down from $28.9 million at September 30, 2016.

Commercial Loan Portfolio

The Company's net commercial loan portfolio decreased $86.5 million during the first quarter of fiscal 2018 to $219.5 million compared to $306.0 million at June 30, 2017. The Company's investment in commercial loans consists of the following:

	September 30, 2017	June 30, 2017
	(in thousands)	
Commercial term loans	$ 220,080	$ 304,045
Commercial real estate loans	4,325	4,387
Revolving lines of credit	-	3,248
Total commercial loans	224,405	311,680
Less unearned income and discounts	(254)	(467)
Less allowance for loan losses	(4,691)	(5,204)
Net commercial loans	$ 219,460	$ 306,009

Commercial loans are reported at their outstanding unpaid principal balances reduced by the allowance for loan losses and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. The Company had no unused commitments on revolving lines of credit at September 30, 2017.

Included in commercial term loans at September 30, 2017 are $209.09 million of loan participations that trade regularly in the secondary market. Based on bid prices for these loans in such market at September 30, 2017, the fair value of such loans was $209.13 million.

Asset Quality

As part of assessing and monitoring the performance of all leases and loans, the Company disaggregates the portfolio into four classes: 1) commercial leases, 2) education, government and non-profit leases, 3) commercial and industrial loans and 4) commercial real estate loans. The Company's credit process also classifies all leases and loans in accordance with a risk rating classification system consistent with regulatory models under which leases and loans may be rated as "pass", "special mention", "substandard", or "doubtful". The classification of the Company's lease and loan portfolios by class is as follows:

(dollars in thousands)	Commercial Leases	Education Government Non-profit Leases	Commercial & Industrial Loans	Commercial Real Estate Loans	Total
As of September 30, 2017:					
Pass	$ 137,862	$ 40,917	$ 214,731	$ 4,325	$ 397,835
Special Mention	8,085	145	5,095	-	13,325
Substandard	-	-	-	-	-
Doubtful	1	2	-	-	3
	$ 145,948	$ 41,064	$ 219,826	$ 4,325	$ 411,163
Non-accrual	$ 1	$ 2	$ -	$ -	$ 3
As of June 30, 2017:					
Pass	$ 143,387	$ 45,859	$ 301,733	$ 4,387	$ 495,366
Special Mention	3,296	196	5,093	-	8,585
Substandard	-	-	-	-	-
Doubtful	1	2	-	-	3
	$ 146,684	$ 46,057	$ 306,826	$ 4,387	$ 503,954
Non-accrual	$ 1	$ 2	$ -	$ -	$ 3

The following table presents the aging of the leases and loans by portfolio class:

(dollars in thousands)	31-89 Days	Greater Than 90 Days	Total Past Due	Current	Total	Over 90 Days & Accruing
As of September 30, 2017:						
Commercial Leases	$ -	$ 1	$ 1	$ 145,947	$ 145,948	$ -
Education, Government, Non-profit Leases	-	2	2	41,062	41,064	-
Commercial and Industrial Loans	-	-	-	219,826	219,826	-
Commercial Real Estate Loans	-	-	-	4,325	4,325	-
	$ -	$ 3	$ 3	$ 411,160	$ 411,163	$ -
As of June 30, 2017:						
Commercial Leases	$ -	$ 1	$ 1	$ 146,683	$ 146,684	$ -
Education, Government, Non-profit Leases	-	2	2	46,055	46,057	-
Commercial and Industrial Loans	-	-	-	306,826	306,826	-
Commercial Real Estate Loans	-	-	-	4,387	4,387	-
	$ -	$ 3	$ 3	$ 503,951	$ 503,954	$ -

There was no deterioration in the credit profile of the portfolios during the quarter ended September 30, 2017 or increase in non-performing assets. Included with leases identified as Special Mention above are $7.7 million of investment in leases at September 30, 2017 with credits that currently are experiencing financial difficulties or that management believes may experience financial difficulties in the future. This amount compared to $7.4 million at June 30, 2017 and $3.93 million at September 30, 2016. Although these credits have been identified as potential problems, they may never become non-performing.

Allowance for Credit Losses

The allowance for credit losses provides coverage for probable and estimatable losses in the Company's lease and loan portfolios. The allowance recorded is based on a quarterly review of all leases and loans outstanding and transactions in process. Lease receivables, loans or residuals are charged off when they are deemed completely uncollectible. The determination of the appropriate amount of any provision is based on management's judgment at that time and takes into consideration all known relevant internal and external factors that may affect the portfolios.

The allowance for credit losses decreased $528,000 to $6.62 million (1.61% of net investment in leases and loans before allowances) at September 30, 2017 from $7.17 million (1.10% of net investment in leases and loans before allowances) at September 30, 2016, and compared to $7.15 million (1.42%) at June 30, 2017. The Company considers the allowance for credit losses of $6.62 million at September 30, 2017 adequate to cover losses specifically identified as well as inherent in the lease and loan portfolios. However, no assurance can be given that the Company will not, in any particular period, sustain lease and loan losses that are sizeable in relation to the amount reserved, or that subsequent evaluations of the lease and loan portfolio, in light of factors then prevailing, will not require significant increases in the allowance for credit losses. Among other factors, economic, political and regulatory actions may have an adverse impact on the adequacy of the allowance for credit losses by increasing credit risk and the risk of potential loss even further.

	Three months ended September 30, 2017	Three months ended September 30, 2016
	(dollars in thousands)	
Net investment in leases and loans before allowance	$ 411,163	$ 653,952
Allowance for credit losses at beginning of period	$ 7,147	$ 6,862
Charge-off of lease receivables	(28)	-
Recovery of amounts previously written off	-	3
Provision for credit losses	(500)	300
Allowance for credit losses at end of period	$ 6,619	$ 7,165
Components of allowance for credit losses:		
Allowance for lease losses	$ 1,866	$ 2,231
Residual valuation allowance	62	62
Allowance for loan losses	4,691	4,872
	$ 6,619	$ 7,165
Allowance for credit losses as a percent of net investment in leases and loans before allowances	1.61%	1.10%

The allowance balances and activity in the allowance by portfolio segment for the three months ended September 30, 2017 and September 30, 2016 are presented in the following table

(dollars in thousands)	Commercial Leases	Education Government Non-profit Leases	Commercial & Industrial Loans	Commercial Real Estate Loans	Total
Three months ended September 30, 2017:					
Balance beginning of period	$ 1,627	$ 316	$ 5,144	$ 61	$ 7,148
Charge-offs	-	(15)	(14)	-	(29)
Recoveries	-	-	-	-	-
Provision	-	-	(500)	-	(500)
Balance end of period	$ 1,627	$ 301	$ 4,630	$ 61	$ 6,619
Three months ended September 30, 2016:					
Balance beginning of period	$ 1,825	$ 465	$ 4,511	$ 61	$ 6,862
Charge-offs	-	-	-	-	-
Recoveries	3	-	-	-	3
Provision	-	-	300	-	300
Balance end of period	$ 1,828	$ 465	$ 4,811	$ 61	$ 7,165

Securities Available-for-sale

Total securities available-for-sale of $101.6 million at September 30, 2017 compared to $95.5 million at June 30, 2017. The $6.1 million increase during the first quarter of fiscal 2018 related to the purchases of equity securities of $6.8 million and an increase in unrecognized gain in the value of securities of $680,000, offset by pay downs of $1.4 million. At September 30, 2017, the weighted average maturity of the portfolio is 3.8 years and the corresponding weighted average yield was 2.14%. The amortized cost and fair value of securities are set forth below:

(in thousands)	at September 30, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Notes	$ 47,444	$ 224	$ -	$ 47,668
Corporate debt securities	13,102	35	-	13,137
U.S. Agency mortgage-backed securities	24,402	24	(204)	24,222
Equity securities	14,754	621	(161)	15,214
Mutual fund investment	1,215	132	-	1,347
Total securities available-for-sale	$ 100,917	$ 1,036	$ (365)	$ 101,588

(in thousands)	at June 30, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Notes	$ 47,426	$ 295	$ -	$ 47,721
Corporate debt securities	13,140	31	-	13,171
U.S. Agency mortgage-backed securities	25,803	22	(248)	25,577
Equity securities	7,934	111	(336)	7,709
Mutual fund investment	1,215	116	-	1,331
Total securities available-for-sale	$ 95,518	$ 575	$ (584)	$ 95,509

The $365,000 unrealized losses at September 30, 2017 included $204,000 unrealized loss on mortgage securities related to changes in interest rates and not credit quality, while the decline in equity securities related to fluctuating market conditions. The Company has the intent and the ability to hold these securities to recovery or maturity and more likely than not will not need to sell them. The Company does not consider these securities to be other-than-temporarily impaired at September 30, 2017 or June 30, 2017.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2017, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized Cost	Fair Value
Due in three months or less	$ -	$ -
Due after three months to one year	8,096	8,105
Due after one year to five years	52,450	52,700
Due after five years	24,401	24,222
No stated maturity	15,970	16,561
Total securities available-for-sale	$ 100,917	$ 101,588

Investments
Investments are carried at cost and consist of the following:

	September 30, 2017		June 30, 2017	
(in thousands)	Carrying Cost	Fair Value	Carrying Cost	Fair Value
Federal Reserve Bank Stock	$ 1,955	$ 1,955	$ 1,955	$ 1,955
Federal Home Loan Bank Stock	2,213	2,213	2,213	2,213
Mortgage-backed investment	112	125	113	126
	$ 4,280	$ 4,293	$ 4,281	$ 4,294

CalFirst Bank is required to hold Federal Reserve Bank stock equal to 6% of its capital surplus, which is defined as additional paid-in capital stock, less any gains (losses) on available for sale securities as of the current period end. The investment in Federal Home Loan Bank of San Francisco ("FHLB") stock is a required investment related to CalFirst Bank's borrowing relationship with the FHLB. These investments have no stated maturity.

Liquidity and Capital Resources

The Company funds its operating activities through internally generated funds, bank deposits and borrowings, and non-recourse debt. At September 30, 2017 and June 30, 2017, the Company's cash and cash equivalents were $63.2 million and $96.1 million, respectively.

Deposits at CalFirst Bank totaled $377.9 million at September 30, 2017 compared to $629.7 million at September 30, 2016 and $468.6 million at June 30, 2017. The $251.8 million decrease from September 30, 2016 is related to the 37.5% decline in the lease and loan portfolio over that period and the Company's reduced funding needs.

The following table presents the ending balances, average balances and average rates paid on deposits for the quarters ended September 30, 2017 and 2016:

	Three months ended September 30,					
	2017			2016		
	Ending Balance	Average Balance	Average Rate Paid	Ending Balance	Average Balance	Average Rate Paid
	(in thousands)					
Non-interest bearing demand deposits	$ 3,648	$ 4,541	n/a	$ 1,732	$ 2,134	n/a
Interest-bearing demand deposits	1,239	1,356	0.20%	1,133	1,196	0.20%
Money market and savings deposits	77,461	78,821	0.71%	79,195	78,164	0.87%
Time deposits, less than $100,000	58,906	67,421	1.13%	101,514	99,575	1.24%
Time deposits, $100,000 or more	$ 236,682	$ 269,564	1.17%	$ 446,106	$ 452,388	1.25%

The following table shows the maturities of certificates of deposits at September 30, 2017:

	$250,000 or less	More Than $250,000
	(in thousands)	
Under 3 months	$ 65,642	$ 23,588
3 – 6 months	72,045	28,061
7 – 12 months	54,685	19,273
13 – 24 months	24,485	4,335
25 – 36 months	2,685	789
	$ 219,542	$ 76,046

The Bank has borrowing agreements with the Federal Home Loan Bank of San Francisco (“FHLB”). The Bank had short-term borrowings outstanding of $40.0 million at September 30, 2017 at an average rate of 1.16% and $40.0 million at September 30, 2016 at an average rate of 0.46%. Under terms of the blanket collateral agreement, advances from the FHLB are collateralized by qualifying securities and real estate loans. At September 30, 2017, U.S. Treasury notes and Agency MBS with an amortized cost of $71.8 million were pledged to secure borrowings from the FHLB, with $28.6 million available under the agreement at such date. The Bank also has the authority to borrow from the Federal Reserve Bank (“FRB”) discount window amounts secured by certain lease receivables with unused borrowing availability at September 30, 2017 of approximately $67.0 million.

The following table presents capital and capital ratio information for the Company and CalFirst Bank as of September 30, 2017 and June 30, 2017. The Company and Bank continue to exceed regulatory capital requirements and are considered “well-capitalized” under guidelines established by the FRB and OCC.

	September 30, 2017		June 30, 2017	
	(dollars in thousands)			
California First National Bancorp	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital	$ 198,440	37.12%	$ 196,140	33.09%
Tier 1 risk-based capital	$ 198,440	37.12%	$ 196,140	33.09%
Total risk-based capital	$ 205,109	38.37%	$ 203,338	34.30%
Tier 1 leverage capital	$ 198,440	30.24%	$ 196,140	26.01%
California First National Bank				
Common equity Tier 1 capital	$ 128,632	25.42%	$ 126,424	22.22%
Tier 1 risk-based capital	$ 128,632	25.42%	$ 126,424	22.22%
Total risk-based capital	$ 134,959	26.67%	$ 133,419	23.45%
Tier 1 leverage capital	$ 128,632	20.49%	$ 126,424	17.23%

Contractual Obligations and Commitments

The following table summarizes various contractual obligations as of September 30, 2017. Commitments to purchase property for leases are binding and generally have fixed expiration dates or other termination clauses. Commercial loan commitments are agreements to lend to a customer or purchase a participation provided there is no violation of any condition in the contract. These commitments generally have fixed expiration dates or other termination clauses. Since the Company expects some of the commitments to expire without being funded, the total amounts do not necessarily represent the Company's future liquidity requirements.

	Due by Period (in thousands)			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-5 Years**	**After 5 Years**
Lease property purchases (1)	$ 30,840	$ 30,840	$ -	$ -
FHLB Borrowings	40,000	40,000	-	-
Operating lease rental payments	665	665	-	-
Total contractual commitments	$ 71,505	$ 71,505	$ -	$ -

(1) Disbursements to purchase property on approved lease or loan commitments are estimated to be completed within one year, but it is likely that some portion could be deferred or never funded.

Asset/Liability Management

The Company faces interest rate risk due to differences in the repricing characteristics of interest-earning assets and interest-bearing liabilities. The risk also arises from the impact that fluctuations in interest rates may have on security prices that may result in changes in the values of available-for-sale securities that are accounted for at fair value. The consolidated gap analysis below sets forth the maturity and repricing characteristics of interest-earning assets and interest-bearing liabilities for selected time bands. At September 30, 2017, the Company had assets of $416.3 million subject to changes in interest rates over the next twelve months, compared to repricing liabilities of $382.0 million. The mismatch between repricing or maturities within a time band is commonly referred to as the "gap" for that period. A positive gap (asset sensitive) where interest rate sensitive assets exceed interest rate sensitive liabilities generally will result in the net interest margin increasing in a rising rate environment and decreasing in a falling rate environment. A negative gap (liability sensitive) will generally have the opposite result on the net interest margin. However, the traditional gap analysis does not assess the relative sensitivity of assets and liabilities to changes in interest rates and other factors that could have an impact on interest rate sensitivity or net interest income. Sudden and substantial increase or decrease in interest rates may adversely impact our income to the extent that the interest rates associated with the assets and liabilities do not change at the same speed, to the same extent, or on the same basis.

(in thousands)	3 Months or Less	Over 3 to 12 Months	Over 1-5 years	Over 5 years	Non-rate Sensitive	Total
Rate Sensitive Assets (RSA):						
Cash due from banks	$ 63,240	$ -	$ -	$ -	$ -	$ 63,240
Investment securities	16,561	8,105	52,700	28,502	-	105,868
Net investment in leases	25,470	-	-	-	-	25,470
Loans held for sale	20,913	64,370	114,826	489	(15,514)	185,084
Commercial loans	214,737	2,892	3,832	2,944	(4,945)	219,460
Non-interest earning assets	-	-	-	-	30,394	30,394
Totals	$ 340,921	$ 75,367	$ 171,358	$ 31,935	$ 9,935	$ 629,516
Cumulative total for RSA	$ 340,921	$ 416,288	$ 587,646	$ 619,581		
Rate Sensitive Liabilities (RSL):						
Demand and savings deposits	$ 78,700	$ -	$ -	$ -	$ 3,648	$ 82,348
Time deposits	89,230	174,063	32,295	-	-	295,588
Borrowings	40,000	-	-	-	-	40,000
Non-interest bearing liabilities	-	-	-	-	12,741	12,741
Stockholders' equity	-	-	-	-	198,839	198,839
Totals	$ 207,930	$ 174,063	$ 32,295	$ -	$ 215,228	$ 629,516
Cumulative total for RSL	$ 207,930	$ 381,993	$ 414,288	$ 414,288		
Interest rate sensitivity gap	$ 132,991	$ (98,696)	$ 139,063	$ 31,935		
Cumulative GAP	$ 132,991	$ 34,295	$ 173,358	$ 205,293		
RSA divided by RSL (cumulative)	163.96%	108.98%	141.84%	149.55%		
Cumulative GAP / total assets	21.13%	5.45%	27.54%	32.61%		