



California Bank of Commerce

Reports Record Profits of \$5.2 Million for Full Year 2016;

More than Double 2015 Net Income

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

Company Release - 1/24/2017

LAFAYETTE, California -- (Globe Newswire) -- California Bank of Commerce (OTCQX: CABC), a San Francisco Bay Area business bank, today reported record 2016 profits, which grew 129% to \$5.2 million from \$2.3 million in 2015. Profitability was fueled by strong organic loan and deposit growth, contributions from its 2015 acquisition of Pan Pacific Bank, above average net interest margin, and improving operating efficiencies. Return on Average Assets (ROAA) improved to 0.74% and return on average tangible common equity (ROTCE) was 8.03% in 2016. All financial results are unaudited.

The comparability of financial information for the full year and fourth quarter of 2016 to similar periods in 2015 is affected by the acquisition of Pan Pacific Bank. This acquisition added total assets of \$131 million, total loans of \$111 million and total deposits of \$114 million on December 31, 2015. Additionally, one-time merger related expenses were \$873,000 for 2016 and \$1.1 million in 2015. The integration process with Pan Pacific Bank was completed in September 2016.

"We are generating robust organic growth for both loans and deposits, reflecting strong demand from business owners throughout the Greater Bay Area market for our commercial banking services," said Terry Peterson, President and CEO. "The acquisition of Pan Pacific, with its market presence in San Jose and Fremont, was also a solid contributor to both revenue and profits in 2016."

Financial Highlights

2016 vs. 2015

- Achieved record 2016 profitability with net income more than doubling to \$5.2 million, or \$0.88 per share, compared to \$2.3 million, or \$0.49 per share, in 2015.
- Net interest margin was 4.18% compared to 3.84% a year ago, reflecting above average contributions from acquired loans.
- Merger related costs reduced pre-tax operating income by \$873,000 in 2016 and \$1.1 million in 2015.
- The efficiency ratio, which measures operating expenses as a percent of revenue, improved significantly to 64.6% from 73.3%.
- The ratio of net operating expense to average assets improved to 2.34% from 2.50% a year ago.
- Total assets grew 17% to \$765 million at year end compared to \$653 million a year ago.

- Total loans, net of deferred costs, grew 21% to \$628 million for the year.
- Total deposits grew 20% to \$650 million as of December 31, 2016, an increase of \$108 million, compared to \$542 million in 2015.
- Non-interest bearing deposits increased to \$285 million, up 26% from a year ago.
- Completed \$9 million private placement of common shares and subordinated debt in May 2016 providing capital for future growth and funding the redemption of \$11 million of outstanding preferred stock held by the United States Department of the Treasury.
- Successfully entered the SBA lending market as a preferred lender during 2016 to augment the Bank's expertise in commercial and industrial lending, asset-based lending and commercial real estate financing.
- Tangible book value per common share increased 9.5% to \$11.72 as of December 31, 2016, compared to \$10.70 a year ago.

Fourth Quarter 2016 vs. Third Quarter 2016 and Fourth Quarter of 2015

- Net income grew 28% to \$1.8 million, or \$0.30 per share compared to \$1.4 million, or \$0.24 per share in the preceding quarter and \$(127,000) or \$(0.03) per share, in the fourth quarter a year ago, which included \$1.0 million in merger related expenses.
- Pretax merger related costs reduced 4Q16 net income by \$66,000 and \$1.0 million in 4Q15.
- ROAA improved to 0.91% and ROTCE was 10.35% in the fourth quarter of 2016.
- Net interest margin was 3.94%, down 18 basis points from 4.12% in the preceding quarter and up 19 basis points from 3.75% in the year ago quarter. "Our deposits and cash balances are seasonal, which impacts margin during the year," added Peterson.
- The efficiency ratio, which measures operating expenses as a percent of revenue, improved significantly to 58.3% from 61.0% in the preceding quarter and 75.4% in the fourth quarter a year ago.

Peer Comparisons

"Our performance metrics continue to improve and compare favorably with the 537 banks included in the SNL Micro Cap Bank Index on almost every measurable value," said Peterson.

PERFORMANCE RATIOS:	CABC	SNL US Micro Cap Bank Index*
	4Q16	3Q16
Return on average assets	0.91%	0.79%
Return on average equity	10.35%	7.88%
Net interest margin	3.94%	3.58%
Efficiency ratio	58.33%	69.03%
Net operating expense/average assets	1.95%	2.05%
Nonperforming loans/loans	0.34%	1.45%
Allowance for loan losses/loans	1.20%	1.25%
Allowance for loan losses/NPAs	349%	67%

* Includes OTC Companies as of 9/30/16

Credit Quality

Credit quality remains strong, with non-performing assets to total assets improving to 0.28% at December 31, 2016, compared to 0.46% at December 31, 2015. The loan loss reserve was \$7.5 million at year end 2016 increasing by \$425,000 for the quarter and \$1.7 million over the prior year end. The ratio of the reserve to total loans was 1.20% on December 31, 2016, up from 1.13% at December 31, 2015. “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 Greater Bay Area are fueling our strong organic growth, and we are seeing increased demand for our customized commercial banking, treasury management and lending solutions,” said Stephen Cortese, Chairman of the Board for California Bank of Commerce. “The upward momentum in profitability we generated in each quarter of 2016 demonstrates the strength of our franchise in this dynamic market.”

Please see our detailed Fourth quarter 2016 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.

CALIFORNIA BANK OF COMMERCE
UNAUDITED SUMMARY FINANCIAL STATEMENTS

INCOME STATEMENT
(\$ Thousands)

	<u>Three Months Ended</u>			<u>Year Over Year Change</u>	
	<u>31-Dec-16</u>	<u>30-Sep-16</u>	<u>31-Dec-15</u>	<u>\$</u>	<u>%</u>
Interest income	\$ 7,784	\$ 7,539	\$ 5,021	\$ 2,763	55%
Interest expense	(601)	(565)	(374)	(227)	61%
Net interest income before provision	7,183	6,974	4,647	2,536	55%
Provision to the Loan Loss Reserve	(412)	(457)	(169)	(243)	144%
Net interest income after provision	\$ 6,771	\$ 6,517	\$ 4,478	\$ 2,293	51%
Non-interest income	974	768	677	297	44%
Non-interest expense	(4,824)	(5,008)	(5,064)	240	-5%
Income before tax provision	2,921	2,277	91	2,830	NA
Provision for income taxes	(1,135)	(883)	(218)	(917)	NA
Net income	<u>\$ 1,786</u>	<u>\$ 1,394</u>	<u>\$ (127)</u>	<u>\$ 1,913</u>	<u>NA</u>
Preferred Dividends	-	-	(27)	27	-100%
Income to Common Shareholders	<u>\$ 1,786</u>	<u>\$ 1,394</u>	<u>\$ (154)</u>	<u>\$ 1,940</u>	<u>NA</u>
Basic Earnings per Common share	\$ 0.304	\$ 0.239	\$ (0.031)	\$ 0.335	NA
Weighted average shares outstanding	5,871,752	5,843,904	4,938,907		
Return on Average Assets	0.91%	0.76%	-0.10%		
Return on Average Tangible Common Equity	10.35%	8.30%	-0.98%		
Merger Expenses	\$ 66	\$ 287	\$ 1,050		
Net Operating Expense to Average Total Assets*	1.95%	2.17%	2.53%		
Efficiency Ratio*	58.33%	60.99%	75.40%		

*Excludes one-time merger expenses

CALIFORNIA BANK OF COMMERCE
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INCOME STATEMENT
(\$ Thousands)

	Twelve Months Ended		Year Over Year Change	
	31-Dec-16	31-Dec-15	\$	%
Interest income	\$ 29,249	\$ 18,637	\$ 10,612	57%
Interest expense	(2,099)	(1,385)	(714)	52%
Net interest income before provision	27,150	17,252	9,898	57%
Provision to the Loan Loss Reserve	(1,403)	(280)	(1,123)	NA
Net interest income after provision	\$ 25,747	\$ 16,972	\$ 8,775	52%
Non-interest income	3,058	2,346	712	30%
Non-interest expense	(20,389)	(15,464)	(4,925)	32%
Income before tax provision	8,416	3,854	4,562	118%
Provision for income taxes	(3,223)	(1,586)	(1,637)	103%
Net income	<u>\$ 5,193</u>	<u>\$ 2,268</u>	<u>\$ 2,925</u>	<u>129%</u>
Preferred Dividends	(152)	(110)	(42)	38%
Income to Common Shareholders	<u>\$ 5,041</u>	<u>\$ 2,158</u>	<u>\$ 2,883</u>	<u>134%</u>
Basic Earnings per Common share	\$ 0.879	\$ 0.494	\$ 0.385	78%
Weighted average shares outstanding	5,736,727	4,371,771		
Return on Average Assets	0.74%	0.47%		
Return on Avg. Tangible Common Equity	8.03%	4.54%		
Merger Expenses	\$ 873	\$ 1,099		
Net Operating Expense to Average Total Assets*	2.34%	2.50%		
Efficiency Ratio*	64.61%	73.30%		

*Excludes one-time merger expenses

CALIFORNIA BANK OF COMMERCE
UNAUDITED SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET
(\$ Thousands)

	<u>31-Dec-16</u>	<u>30-Sep-16</u>	<u>31-Dec-15</u>	Year Over Year Change	
				\$	%
Assets					
Total Cash and Investments	\$ 105,818	\$ 128,589	\$ 103,284	\$ 2,534	2%
Loans, net of deferred costs/fees	627,509	608,459	518,372	109,137	21%
Loan Loss Reserve	(7,525)	(7,100)	(5,875)	(1,650)	28%
Other	38,943	38,781	37,154	1,789	5%
Total Assets	\$ 764,745	\$ 768,729	\$ 652,935	\$ 111,810	17%
Liabilities & Shareholders' Equity					
Non-interest Bearing Deposits	\$ 284,674	\$ 270,230	\$ 225,140	\$ 59,534	26%
Interest Bearing Deposits	365,373	386,355	317,044	48,329	15%
Total Deposits	\$ 650,047	\$ 656,585	\$ 542,184	\$ 107,863	20%
Total Borrowings and Other Liabilities	38,226	37,278	32,813	5,413	16%
Total Liabilities	\$ 688,273	\$ 693,863	\$ 574,997	\$ 113,276	20%
Shareholder's Equity	76,472	74,866	77,938	(1,466)	-2%
Total Liabilities & Shareholders' Equity	\$ 764,745	\$ 768,729	\$ 652,935	\$ 111,810	17%
Common Shares Outstanding	5,871,752	5,871,752	5,537,837	333,915	6%
Tangible Book Value per Common Share	\$ 11.72	\$ 11.45	\$ 10.70	\$ 1.02	10%
				Annual	Annual
<u>Average Balances - Period</u>	<u>4Q 2016</u>	<u>3Q 2016</u>	<u>4Q 2015</u>	<u>2016</u>	<u>2015</u>
Total Assets	\$ 776,724	\$ 729,804	\$ 527,832	\$ 704,189	\$ 480,150
Total Loans	\$ 612,474	\$ 584,264	\$ 395,008	\$ 565,236	\$ 365,284
Total Investments	\$ 16,030	\$ 16,911	\$ 25,580	\$ 19,292	\$ 32,991
Total Earning Assets	\$ 722,948	\$ 673,173	\$ 491,958	\$ 649,765	\$ 449,014
Total Non-Interest Bearing Deposits	\$ 277,080	\$ 244,336	\$ 186,812	\$ 233,747	\$ 160,702
Total Deposits	\$ 662,912	\$ 618,544	\$ 433,584	\$ 592,347	\$ 388,201
Total Borrowings	\$ 33,924	\$ 33,921	\$ 29,131	\$ 32,566	\$ 29,039
Tangible Common Equity	\$ 68,448	\$ 66,657	\$ 51,391	\$ 64,637	\$ 49,922
				Annual	Annual
<u>Average Yields and Cost</u>	<u>4Q 2016</u>	<u>3Q 2016</u>	<u>4Q 2015</u>	<u>2016</u>	<u>2015</u>
Net Interest Margin	3.94%	4.12%	3.75%	4.18%	3.84%
Yield on Earning Assets	4.27%	4.45%	4.05%	4.49%	4.15%
Cost of Interest Bearing Liabilities	0.57%	0.55%	0.54%	0.54%	0.54%
<u>End of Period</u>	<u>31-Dec-16</u>	<u>30-Sep-16</u>	<u>31-Dec-15</u>		
Loan Loss Reserve to Total Loans	1.20%	1.17%	1.13%		
NPAs (including accruing TDRs) to Total Assets	0.28%	0.24%	0.46%		
Accruing TDRs to Total Assets	0.19%	0.14%	0.22%		

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Source: California Bank of Commerce
