



SOUTHERN CALIFORNIA BANCORP REPORTS RECORD NET INCOME OF \$8.5 MILLION FOR THE FOURTH QUARTER AND \$16.1 MILLION FOR THE FULL YEAR OF 2022

San Diego, Calif., January 25, 2023 – 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 fourth quarter and full year of 2022.

Southern California Bancorp reported record net income of \$8.5 million for the fourth quarter of 2022, or \$0.46 per diluted share, compared to net income of \$6.9 million, or \$0.38 per diluted share in the third quarter of 2022. The Company reported net income of \$16.1 million for the full year of 2022, or \$0.88 per diluted share, compared to net income of \$10.7 million, or \$0.72 per diluted share for the full year of 2021.

Fourth Quarter 2022 Highlights

- **Net income** of \$8.5 million, up \$1.5 million, or 22.3% from the prior quarter
- **Diluted earnings per share** of \$0.46, up \$0.08, or 21.1% from the prior quarter
- **Net interest margin** of 4.62%, compared with 4.32% in the prior quarter; average loan yield of 5.47% compared with 5.09% in the prior quarter
- **Efficiency ratio** of 51.9%, down 3.6% from the prior quarter
- **Tangible book value per common share ("TBV") (non-GAAP)** of \$12.32 at December 31, 2022, up \$0.57 from \$11.75 at September 30, 2022
- **Provision for loan losses** of \$650 thousand commensurate with loan growth; the provision was \$1.3 million in the prior quarter
- **Total assets** of \$2.28 billion, relatively flat from September 30, 2022
- **Total loans, including loans held for sale, increased** to \$1.91 billion, up \$57.5 million or 3.11% from September 30, 2022
- **Nonperforming assets to total assets** ratio of 0.002% at December 31, 2022 and September 30, 2022
- **Total deposits** of \$1.93 billion, down \$88.2 million or 4.4%, compared to \$2.02 billion at September 30, 2022
- **Noninterest-bearing demand deposits** were \$923.9 million, representing 47.8% of total deposits, compared to \$993.2 million, or 49.2% of total deposits at September 30, 2022
- **Cost of deposits** was 0.51%, up from 0.25% in the prior quarter
- **Continued status as “well-capitalized,”** the highest regulatory capital category

Full Year 2022 Highlights

- **Net income increased** to \$16.1 million, up \$5.4 million, or 50.5% from the prior year
- **Diluted earnings per share** of \$0.88, up \$0.16, or 22.2% from the prior year
- **Total loan interest income increased** to \$86.4 million, up \$20.2 million or 30.4% from the prior year
- **Total loan interest income excluding non-Paycheck Protection Program ("non-PPP") loans increased** to \$84.7 million, up \$36.2 million from the prior year

- **Net interest margin** of 4.06% for 2022, compared with 3.64% in the prior year; average loan yield was 5.02%, up from 4.88% in the prior year
- **Efficiency ratio** of 70.0%, down 7.7% from the prior year
- **Provision for loan losses** of \$5.5 million commensurate with strong loan growth; the provision was \$1.2 million for the year ended December 31, 2021
- **Total assets** of \$2.28 billion, up \$22.2 million or 1.0% from December 31, 2021
- **Total loans, including loans held for sale, increased** to \$1.91 billion, up \$402.1 million from December 31, 2021
- **Total deposits** of \$1.93 billion, down \$41.2 million from December 31, 2021
- **Noninterest bearing demand deposits** were \$923.9 million, representing 47.8% of total deposits, compared to \$986.9 million, or 50.0% of total deposits at December 31, 2021
- **Cost of deposits** was 0.23%, up from 0.13% in the prior year

“I am pleased to report record net income of \$8.5 million for the fourth quarter and record net income of \$16.1 million for the full year of 2022,” said David Rainer, Chairman and Chief Executive Officer of Southern California Bancorp and Bank of Southern California. “This outstanding achievement was due to the dedication of our entire team over the past two years in executing the transformation of our commercial banking model, and the expansion of our footprint in Los Angeles and Orange counties, which complemented our established San Diego market. All of which enabled the successful deployment of our excess liquidity into higher yielding assets.

“Our strong financial performance drove a return on average assets of 1.46%, a return on average equity of 13.21%, an efficiency ratio of 51.9%, and the expansion of our net interest margin to 4.62%.

“Our tangible book value per share is now \$12.32, an increase of \$0.57 in the fourth quarter, which exceeded fourth quarter diluted EPS of \$0.46, as our unrealized losses on investment securities through other comprehensive income on our consolidated balance sheet decreased as of December 31, 2022. I note that our strong fourth quarter performance included a \$994 thousand pre-tax loss on the sale of \$22 million of low-yielding securities, which we sold in order to redeploy the proceeds into higher-yielding securities, which we believe will be accretive to earnings going forward.

“Our loans held for investment grew to \$1.90 billion at December 31, 2022, increasing \$54.0 million from the previous quarter end and \$393.0 million from December 31, 2021. The credit quality of our loan portfolio remains pristine, with zero loan delinquencies of 30 days or more at December 31, 2022, and no charge-offs during the fourth quarter.

“We saw a decrease in total deposits of \$88.2 million, or 4.4% in the fourth quarter, which was partly due to a movement into U.S. Treasuries and higher yielding money market funds, and partly seasonal, as many of our clients pay out their yearly bonuses and reposition assets at the end of the calendar year. Deposit costs in the fourth quarter increased to 51 basis points, up from 25 basis points in the prior quarter, as we continue to adjust rates for customers of our relationship-based business banking model to stay competitive in the current market, as well as attract new customers. The overall mix of our total deposits remains very good, with noninterest bearing deposits representing 47.8% of total deposits at December 31, 2022.

“While we face a challenging and somewhat uncertain economic environment going forward, we continue to believe the Southern California market for small to mid-size business banking offers a significant opportunity for our relationship-based business banking strategy, and we are committed to continue executing that strategy.”

Fourth Quarter and Full Year Operating Results

Net Income

Net income for the fourth quarter of 2022 was \$8.5 million, or \$0.46 per diluted share, compared to net income of \$6.9 million, or \$0.38 per diluted share in the third quarter of 2022. The adjusted net income (non-GAAP) for the fourth quarter was \$8.5 million, or \$0.46 per diluted share, compared to adjusted net income of \$6.2 million, or \$0.34 per diluted share in the third quarter of 2022. Pre-tax, pre-provision income for the fourth quarter was \$12.2 million, an increase of \$1.5 million or 14.1% from the prior quarter.

Net income for the full year of 2022 was \$16.1 million, or \$0.88 per diluted share, compared to net income of \$10.7 million or \$0.72 per diluted share for 2021. The operating results of 2022 were partly impacted by including the full year of Bank of Santa Clarita's operating results. The increase in net income in 2022 compared with 2021 was primarily due to a \$23.4 million increase in net interest income, which was partially offset by a \$10.5 million increase in noninterest expense, and a \$4.3 million increase in the provision for loan losses, primarily related to strong loan growth in 2022. The adjusted net income for the full year of 2022 was \$20.7 million, or \$1.14 per diluted share, compared to \$12.7 million or \$0.85 per diluted share in the prior year. Pre-tax, pre-provision income for 2022 was \$27.4 million, an increase of \$12.0 million, or 78.3% compared to pre-tax, pre-provision income of \$15.4 million for the full year of 2021.

Net Interest Income and Net Interest Margin

Net interest income for the fourth quarter of 2022 was \$25.3 million, compared to \$23.8 million in the prior quarter. The increase was primarily due to a \$2.8 million increase in total interest and dividend income, partially offset by a \$1.3 million increase in total interest expense. During the fourth quarter of 2022, loan interest income increased \$2.9 million, debt securities income increased \$16 thousand, and interest and dividend income from other financial institutions decreased \$110 thousand. The increase in interest income was due to a number of factors: a higher average loan balance from organic loan growth; a change in the interest-earning asset mix; and higher yields on interest-earning assets resulting from increases in the target Fed funds rate. Average interest earning assets decreased \$15.2 million, the result of an \$83.8 million increase in average loans, partially offset by a \$35.1 million decrease in average Fed funds sold/resale agreements, \$8.3 million decrease in average debt securities, and a \$55.7 million decrease in average lower yielding deposits in other financial institutions. The increase in interest expense for the fourth quarter of 2022 was primarily due to a \$1.3 million increase in interest expense on interest-bearing deposits resulting from a 47 basis point increase in the interest-bearing deposit costs.

Net interest margin for the fourth quarter of 2022 was 4.62%, compared with 4.32% in the prior quarter. The increase was primarily related to a 54 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 a 25 basis point increase in the cost of funds. The yield on total earning assets in the fourth quarter of 2022 was 5.14%, compared with 4.60% in the prior quarter. The yield on average total loans in the fourth quarter of 2022 was 5.47%, an increase of 38 basis points from 5.09% in the prior quarter.

Cost of funds for the fourth quarter of 2022 was 56 basis points, an increase from 31 basis points in the prior quarter. The increase was primarily driven by the 47 basis points increase in the cost of interest-bearing deposits, coupled with a decrease in average noninterest-bearing deposits. Average noninterest-bearing demand deposits decreased \$41.7 million to \$970.9 million and represented 48.3% of total average deposits for the fourth quarter of 2022, compared with \$1.01 billion and 49.8%, respectively, for the prior quarter. The total cost of deposits in the fourth quarter of 2022 was 51 basis points, up from 25 basis points in the prior quarter.

Average total borrowings increased \$3.7 million to \$21.5 million for the fourth quarter of 2022 resulting from an increase of \$50.0 million in FHLB borrowings late in the month of December 2022. The average cost of total borrowings was 5.82% for the fourth quarter of 2022, down from 6.06% in the prior quarter.

Net interest income for the full year of 2022 totaled \$87.8 million, compared to \$64.4 million for the full year of 2021. The increase was primarily due to a \$25.8 million increase in total interest and dividend income, partially offset by a \$2.4 million increase in total interest expense. During the year of 2022, loan interest income excluding PPP loans increased \$36.2 million, debt securities income increased \$2.9 million and interest and dividend income from other financial institution increased \$2.7 million, partially offset by a decrease in loan interest income from PPP loans of \$16.0 million. Average interest earning assets increased \$391.8 million, the result of a \$364.8 million increase in average loans, coupled with a \$122.4 million increase in average debt securities, and a \$49.6 million increase in average Fed funds sold/resale agreements, which was partially offset by a decrease of \$148.4 million in average lower yielding deposits in other financial institutions. The increase in interest expense for the full year of 2022 was due to a \$2.5 million increase in interest expense on interest-bearing deposits.

Net interest margin for the full year of 2022 was 4.06%, compared with 3.64% for the full year of 2021. The increase was primarily related to a 50 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 a 9 basis point increase in the cost of funds. The yield on total earning assets for the full year of 2022 was 4.33%, compared with 3.83% for the full year of 2021. The yield on average total loans was 5.02%, an increase of 14 basis points from 4.88% for the full year of 2021.

Cost of funds for the full year of 2022 was 29 basis points, an increase from 20 basis points for the full year of 2021. The increase was primarily driven by a 21 basis point increase in the cost of interest-bearing deposits, and a 296 basis point increase in total borrowings cost, partially offset by an increase in average noninterest-bearing deposits. Average noninterest-bearing demand deposits increased \$223.0 million to \$1.01 billion and represented 50.1% of total average deposits for the full year of 2022, compared with \$783.8 million and 48.6% for the full year of 2021. The total cost of deposits was 23 basis points, up 10 basis points from the prior year.

Average total borrowings decreased \$22.8 million to \$19.9 million for the full year of 2022 resulting from the payoffs of FHLB advances and the Paycheck Protection Program Liquidity Facility ("PPPLF") borrowings in 2021, and the early extinguishment of certain trust preferred securities ("TruPS") in 2022. The average cost of total borrowings was 6.03% for the full year of 2022, up from 3.07% in the prior year.

Provision for Loan Losses

The Company recorded a loan loss provision of \$650 thousand in the fourth quarter of 2022 and \$5.5 million for the full year of 2022, primarily related to organic loan growth, as compared to the loan loss provision of \$1.3 million in the third quarter of 2022 and \$1.2 million for the full year of 2021. 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 fourth quarter of 2022 was \$188 thousand, a decrease of \$170 thousand compared to total noninterest income of \$358 thousand in the third quarter of 2022. The decrease was due primarily to a \$994 thousand pre-tax loss on sale of debt securities, for which there was no comparable transaction in the third quarter of 2022; however, in the third quarter of 2022 the Company recorded a \$768 thousand loss on sale of a building and related fixed assets. In the fourth quarter of 2022, the Company recorded a gain on sale of \$293 thousand on the sale of \$5.1 million of SBA 7A loans, an increase of \$53 thousand from \$3.7 million in SBA 7A sales in the prior quarter.

Total noninterest income for the full year of 2022 was \$3.7 million, compared with total noninterest income of \$4.5 million for the full year of 2021. The decrease in total noninterest income in 2022 was primarily due to the \$994 thousand loss on sale of debt securities and the \$764 thousand loss on the sale of a building and related fixed assets, partially offset by the \$704 thousand increase in income from bank-owned life insurance and the \$429 thousand increase in gain on loan sale. Additionally, in 2021 the Company recorded a gain on branch sale of \$726 thousand, for which there was no corresponding transaction in 2022. The \$429 thousand increase in gain on loan sale was primarily due to the SBA 7A loan sales during 2022. In 2022, the Company recorded a gain on sale of \$1.3 million on the sale of \$20.0 million of SBA 7A loans and \$360 thousand of non-SBA loans, compared with a gain on sale of \$920 thousand on two acquired non-SBA loans in 2021.

Noninterest Expense

Total noninterest expense for the fourth quarter of 2022 was \$13.2 million, a decrease of \$198 thousand from total noninterest expense of \$13.4 million in the prior quarter. In the fourth quarter of 2022, salaries and employee benefits decreased by \$244 thousand, occupancy and equipment expenses decreased by \$152 thousand, legal, audit and professional fees decreased by \$398 thousand and other expense decreased by \$185 thousand. There was no loss contingency expense in the fourth quarter of 2022, as compared to a \$975 thousand net recovery in the third quarter of 2022.

The \$244 thousand decrease in salaries and benefits was due primarily to a decrease in bonus and incentives expense, coupled with lower employer taxes, partially offset by a decrease in the deferred loan origination costs resulting from slower loan growth in the fourth quarter of 2022. The \$152 thousand decrease in occupancy and equipment expenses was due primarily to the additional rent expenses incurred for the temporary spaces in multiple locations in the third quarter of 2022. The \$398 thousand decrease in legal, audit and professional fees was due primarily to a \$250 thousand decrease in legal fees related to the recent settlement of litigation. The \$185 thousand decrease in other expense was due primarily to a lower provision for unfunded loan commitments of \$160 thousand in the fourth quarter of 2022. Total unfunded loan commitments increased \$23.7 million to \$601.1 million at December 31, 2022 from \$577.4 million at September 30, 2022.

Efficiency ratio for the fourth quarter of 2022 was 51.9%, compared to 55.5% in the prior quarter. Adjusted efficiency ratio was 51.9%, compared to 60.0% in the prior quarter.

Noninterest expense for the full year of 2022 was \$64.0 million, an increase of \$10.5 million compared with \$53.5 million for the full year of 2021. The increase was largely due to a net loss contingency expense of \$5.5 million recorded in 2022, for which there was no corresponding expense in 2021. Additionally, salaries and employee benefits increased by \$2.2 million, occupancy and equipment expenses increased by \$688 thousand, data processing increased by \$498 thousand, legal audit and professional expenses increased by \$919 thousand, regulatory assessments increased by \$560 thousand, director and shareholder expenses increased by \$310 thousand and other expense increased by \$1.0 million. These increases were partially offset by a decrease in merger and related expenses of \$1.3 million in 2022 compared with 2021.

The \$2.2 million increase in salaries and benefits was due primarily to the full year impact of the Bank of Santa Clarita acquisition and the expansion of the Company's commercial banking strategy into Orange, Los Angeles and Ventura counties in late 2021 and early 2022, which was partially offset by an increase in deferred loan origination costs resulting from strong loan growth during 2022 and a decrease in stock compensation expense resulting from forfeitures and accelerated stock compensation expenses recorded in 2021 related to a preexisting employment contract for which there was no corresponding expense in 2022. The \$688 thousand increase in occupancy and equipment expenses was due primarily to an increase in lease expenses resulting from new and renewed leases, and an increase in depreciation and maintenance expense related to new leased locations. The \$498 thousand increase in data processing was due primarily to higher software amortization for new and upgraded technology. The \$560 thousand in regulatory assessments was due primarily from the increase in the total assets from organic growth and the Bank of Santa Clarita acquisition. The \$310 thousand increase in director and shareholder expenses was due primarily to the increase in directors' stock compensation expense resulting from a change in the directors compensation program approved in early 2022. The

\$1.0 million increase in other expense was primarily due to an increase in sundry losses of \$235 thousand related to an increase in customer fraud activities, an increase in insurance expense of \$140 thousand and an increase in travel expense of \$101 thousand. Other expense also included a \$347 thousand loss on an early extinguishment of debt acquired from CalWest Bancorp, for which there was no corresponding transaction in the prior year.

Efficiency ratio for the full year of 2022 was 70.0%, compared to 77.7% in 2021. Adjusted efficiency ratio was 62.9%, compared to 74.1% in 2021.

Income Tax

In the fourth quarter of 2022, the Company's income tax expense was \$3.1 million, compared with \$2.5 million in the third quarter of 2022. The effective rate was 26.9% for the fourth quarter of 2022 and 26.6% for the third quarter of 2022. For the full year of 2022 the Company's income tax expense was \$5.9 million, compared with \$3.5 million for the full year of 2021. The effective rate was 26.7% for 2022 and 24.5% for 2021. The increase in the effective tax rate for the full year of 2022 was primarily attributable to the impact of the vesting and exercise of equity awards combined with changes in the Company's stock price over time.

Balance Sheet

Assets

Total assets at December 31, 2022 were \$2.28 billion, a decrease of \$28.3 million or 1.2% from September 30, 2022, and an increase of \$22.2 million or 1.0% from December 31, 2021. The decrease in total assets from the prior quarter was primarily related to a \$70.4 million decrease in lower yielding cash and cash equivalents and \$11.9 million decrease in securities available-for-sale, partially offset by an increase of \$57.5 million in total loans.

The increase in total assets from December 31, 2021 was primarily related to a \$402.1 million increase in total loans, a \$57.0 million increase in securities available-for-sale, and a \$53.9 million increase in securities held-to-maturity, partially offset by a \$493.2 million decrease in cash and cash equivalents.

Loans

Total loans held for investment were \$1.90 billion at December 31, 2022, compared to \$1.84 billion and \$1.50 billion at September 30, 2022, and December 31, 2021, respectively. In the fourth quarter of 2022, the Company's loans held for investment had net organic growth of \$54.0 million or 2.9%, net of total loan principal payoffs of approximately \$45.9 million. Total loans secured by real estate decreased by \$17.9 million, construction and land development loans increased by \$61.3 million and commercial and industrial loans increased by \$10.5 million. The Company had \$9.0 million in SBA 7A loans held for sale at December 31, 2022, compared with \$5.5 million at September 30, 2022; most of these loans are expected to be sold in the secondary market in the first quarter of 2023.

For the full year of 2022, the Company's loans held for investment had net organic growth of \$393.0 million, or 26.1%, net of total loan principal payoffs of approximately \$334.2 million. Total loans secured by real estate increased by \$245.0 million, and construction and land development loans increased by \$161.4 million. Total commercial and industrial loans decreased by \$17.4 million, which included \$55.2 million in PPP loans that received SBA forgiveness or pay downs.

Deposits

Total deposits at December 31, 2022 were \$1.93 billion, a decrease of \$88.2 million from September 30, 2022, and a decrease of \$41.2 million from December 31, 2021. Noninterest-bearing demand deposits at December 31, 2022 were

\$923.9 million, or 47.8% of total deposits, compared to \$993.2 million and \$986.9 million, or 49.2% and 50.0% of total deposits at September 30, 2022 and December 31, 2021, respectively.

Asset Quality

Total non-performing assets decreased to \$41 thousand, or 0.002% of total assets at December 31, 2022, compared with \$48 thousand, or 0.002% of total assets at September 30, 2022, and \$809 thousand or 0.04% of total assets at December 31, 2021. The decrease from December 31, 2021 was due primarily to \$721 thousand in payoffs, note sale and charge-offs, partially offset by \$9 thousand from one loan downgraded to nonaccrual during the year.

The Company had no loans over 90 days past due that were accruing interest at December 31, 2022. For the full year of 2022, the Company recorded net charge-offs of \$8 thousand.

There were no loan delinquencies (30-89 days past due) at December 31, 2022, compared to \$69 thousand and \$1.0 million at September 30, 2022, and December 31, 2021, respectively.

The allowance for loan losses (“ALLL”) was \$17.1 million at December 31, 2022, compared to \$16.4 million and \$11.7 million at September 30, 2022 and December 31, 2021, respectively. The ALLL to total loans was 0.90% at December 31, 2022, compared to 0.89% and 0.77% at September 30, 2022, and December 31, 2021, respectively. The ALLL to total loans, excluding PPP loans was 0.90%, 0.89% and 0.81% at December 31, 2022, September 30, 2022 and December 31, 2021, respectively. The net carrying value of acquired loans totaled \$274.2 million and included a remaining net discount of \$1.8 million at December 31, 2022.

Capital

Tangible book value per common share at December 31, 2022, was \$12.32, compared with \$11.75 and \$11.73 at September 30, 2022 and December 31, 2021, respectively. Tangible book value was impacted in the third and fourth quarters of 2022 by other comprehensive losses related to unrealized losses, net of taxes, on securities available-for-sale, the balance of which was \$6.4 million at December 31, 2022, \$8.3 million at September 30, 2022, and \$38 thousand at December 31, 2021.

The Bank’s leverage capital ratio and total risk-based capital ratio were 10.62% and 11.97%, respectively, at December 31, 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.

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 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 Three Months Ended			At or for the Year Ended	
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	<i>(\$ in thousands except share and per share data)</i>				
EARNINGS					
Net interest income	\$ 25,269	\$ 23,786	\$ 20,333	\$ 87,786	\$ 64,411
Provision for loan losses	\$ 650	\$ 1,300	\$ 1,200	\$ 5,450	\$ 1,200
Noninterest income	\$ 188	\$ 358	\$ 526	\$ 3,675	\$ 4,514
Noninterest expense	\$ 13,212	\$ 13,410	\$ 14,866	\$ 64,028	\$ 53,539
Income tax expense	\$ 3,121	\$ 2,505	\$ 1,418	\$ 5,870	\$ 3,477
Net income	\$ 8,474	\$ 6,929	\$ 3,375	\$ 16,113	\$ 10,709
Pre-tax pre-provision income ⁽¹⁾	\$ 12,245	\$ 10,734	\$ 5,993	\$ 27,433	\$ 15,386
Adjusted pre-tax pre-provision income ⁽¹⁾	\$ 12,237	\$ 9,651	\$ 6,962	\$ 33,910	\$ 17,836
Diluted earnings per share	\$ 0.46	\$ 0.38	\$ 0.19	\$ 0.88	\$ 0.72
Ending shares outstanding	17,940,283	17,863,525	17,707,737	17,940,283	17,707,737
PERFORMANCE RATIOS					
Return on average assets	1.46 %	1.18 %	0.58%	0.70%	0.57%
Adjusted return on average assets ⁽¹⁾	1.45 %	1.05 %	0.71%	0.90%	0.68%
Return on average common equity	13.21 %	11.02 %	5.47%	6.44%	5.60%
Adjusted return on average common equity ⁽¹⁾	13.20 %	9.80 %	6.66%	8.28%	6.64%
Yield on total loans	5.47 %	5.09 %	5.49%	5.02%	4.88%
Yield on interest earning assets	5.14 %	4.60 %	3.89%	4.33%	3.83%
Cost of deposits	0.51 %	0.25 %	0.09%	0.23%	0.13%
Cost of funds	0.56 %	0.31 %	0.15%	0.29%	0.20%
Net interest margin	4.62 %	4.32 %	3.74%	4.06%	3.64%
Efficiency ratio ⁽¹⁾	51.9 %	55.5 %	71.3%	70.0%	77.7%
Adjusted efficiency ratio ⁽¹⁾	51.9 %	60.0 %	66.6%	62.9%	74.1%
As of					
CAPITAL					
	December 31, 2022	September 30, 2022	December 31, 2021		
	<i>(\$ in thousands except share and per share data)</i>				
Tangible equity to tangible assets ⁽¹⁾	9.85%	9.24%	9.35%		
Book value (BV) per common share	\$ 14.51	\$ 13.96	\$ 13.92		
Tangible BV per common share ⁽¹⁾	\$ 12.32	\$ 11.75	\$ 11.73		
ASSET QUALITY					
Allowance for loan losses (ALLL)	\$ 17,099	\$ 16,436	\$ 11,657		
ALLL to total loans	0.90%	0.89%	0.77%		
ALLL to total loans (excl PPP)	0.90%	0.89%	0.81%		
Nonperforming loans	\$ 41	\$ 48	\$ 809		
Other real estate owned	\$ —	\$ —	\$ —		
Nonperforming assets to total assets	—%	—%	0.04%		
END OF PERIOD BALANCES					
Total loans, including loans held for sale	\$ 1,906,800	\$ 1,849,290	\$ 1,504,748		
Total assets	\$ 2,282,049	\$ 2,310,329	\$ 2,259,866		
Deposits	\$ 1,931,905	\$ 2,020,079	\$ 1,973,098		
Loans to deposits	98.7%	91.5%	76.3%		
Shareholders' equity	\$ 260,356	\$ 249,432	\$ 246,528		

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

Southern California Bancorp and Subsidiary

Balance Sheets *(Unaudited)*

	December 31, 2022	September 30, 2022	December 31, 2021
ASSETS		<i>(\$ in thousands)</i>	
Cash and due from banks	\$ 60,295	\$ 29,167	\$ 22,435
Federal funds sold & interest-bearing balances	26,465	128,025	557,571
Total cash and cash equivalents	86,760	157,192	580,006
Securities available-for-sale, at fair value	112,580	124,524	55,567
Securities held-to-maturity, at cost	53,946	54,027	—
Loans held for sale	9,027	5,495	—
Loans held for investment:			
Construction & land development	239,067	177,796	77,629
1-4 family residential	144,322	143,764	133,994
Multifamily	218,606	202,415	175,751
Other commercial real estate	958,676	993,344	766,824
Commercial & industrial	331,644	321,192	349,022
Other consumer	5,458	5,284	1,528
Total loans held for investment	1,897,773	1,843,795	1,504,748
Allowance for loan losses	(17,099)	(16,436)	(11,657)
Total loans held for investment, net	1,880,674	1,827,359	1,493,091
Restricted stock at cost	14,543	14,516	12,493
Premises and equipment	14,334	14,506	19,639
Right of use asset	8,607	9,267	8,069
Goodwill	37,803	37,803	36,784
Core deposit intangible	1,584	1,724	2,022
Bank owned life insurance	37,972	37,751	37,849
Deferred taxes, net	10,699	11,993	5,069
Accrued interest and other assets	13,520	14,172	9,277
Total Assets	<u>\$ 2,282,049</u>	<u>\$ 2,310,329</u>	<u>\$ 2,259,866</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing demand	\$ 923,899	\$ 993,232	\$ 986,935
Interest bearing NOW accounts	209,625	226,575	193,525
Money market and savings accounts	668,602	689,284	690,348
Time deposits	129,779	110,988	102,290
Total deposits	1,931,905	2,020,079	1,973,098
Borrowings	67,770	17,747	20,409
Operating lease liability	11,055	11,731	9,002
Accrued interest and other liabilities	10,963	11,340	10,829
Total liabilities	2,021,693	2,060,897	2,013,338
Total shareholders' equity	260,356	249,432	246,528
Total Liabilities and Shareholders' Equity	<u>\$ 2,282,049</u>	<u>\$ 2,310,329</u>	<u>\$ 2,259,866</u>

Southern California Bancorp and Subsidiary

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

	Three Months Ended			Year Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2022	2022	2021	2022	2021
	(\$ in thousands except share and per share data)				
INTEREST AND DIVIDEND INCOME					
Interest and fees on loans	\$ 25,781	\$ 22,907	\$ 20,568	\$ 86,366	\$ 66,213
Interest on debt securities	1,135	1,119	139	3,385	455
Interest and dividends from other institutions	1,227	1,337	407	3,824	1,105
Total interest and dividend income	28,143	25,363	21,114	93,575	67,773
INTEREST EXPENSE					
Interest on NOW, savings, and money market accounts	2,096	1,151	320	3,793	1,320
Interest on time deposits	463	155	133	797	734
Interest on borrowings	315	271	328	1,199	1,308
Total interest expense	2,874	1,577	781	5,789	3,362
Net interest income	25,269	23,786	20,333	87,786	64,411
Provision for loan losses	650	1,300	1,200	5,450	1,200
Net interest income after provision for loan losses	24,619	22,486	19,133	82,336	63,211
NONINTEREST INCOME					
Service charges and fees on deposit accounts	456	468	500	1,796	1,601
Gain on sale of loans	293	240	—	1,349	920
Bank owned life insurance income	221	222	219	1,490	786
Servicing and related income on loans	53	45	9	192	116
(Loss) gain on sale of debt securities	(994)	—	(9)	(994)	46
Loss on sale of building and related fixed assets	—	(768)	—	(768)	(4)
(Loss) gain on branch sale	—	—	(291)	—	726
Other charges and fees	159	151	98	610	323
Total noninterest income	188	358	526	3,675	4,514
NONINTEREST EXPENSE					
Salaries and employee benefits	8,634	8,878	9,158	37,069	34,883
Occupancy and equipment expenses	1,458	1,610	1,350	6,210	5,522
Data processing	1,089	1,008	1,737	4,609	4,111
Legal, audit and professional	487	885	463	2,597	1,678
Regulatory assessments	345	445	433	1,550	990
Director and shareholder expenses	219	311	183	946	636
Merger and related (income) expenses	(8)	117	969	1,177	2,450
Core deposit intangible amortization	141	99	100	438	364
Loss contingency (recovery) expense	—	(975)	—	5,525	—
Other expense	847	1,032	473	3,907	2,905
Total noninterest expense	13,212	13,410	14,866	64,028	53,539
Income before income tax expense	11,595	9,434	4,793	21,983	14,186
Income tax expense	3,121	2,505	1,418	5,870	3,477
Net income	\$ 8,474	\$ 6,929	\$ 3,375	\$ 16,113	\$ 10,709
Net income per share - basic	\$ 0.47	\$ 0.39	\$ 0.19	\$ 0.90	\$ 0.74
Net income per share - diluted	\$ 0.46	\$ 0.38	\$ 0.19	\$ 0.88	\$ 0.72
Pre-tax, pre-provision income ⁽¹⁾	\$ 12,245	\$ 10,734	\$ 5,993	\$ 27,433	\$ 15,386
Adjusted pre-tax, pre-provision income ⁽¹⁾	\$ 12,237	\$ 9,651	\$ 6,962	\$ 33,910	\$ 17,836

(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								
	December 31, 2022			September 30, 2022			December 31, 2021		
	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost
Assets	(\$ in thousands)								
Interest-earning assets:									
Total non-PPP loans	\$ 1,866,708	\$ 25,755	5.47%	\$ 1,782,074	\$ 22,879	5.09%	\$ 1,366,240	\$ 15,772	4.58%
Total PPP loans	3,997	26	2.58%	4,788	28	2.32%	120,481	4,796	15.79%
Total loans	1,870,705	25,781	5.47%	1,786,862	22,907	5.09%	1,486,721	20,568	5.49%
Debt securities	175,371	1,135	2.57%	183,636	1,119	2.42%	43,192	139	1.28%
Deposits in other financial institutions	40,781	347	3.38%	96,504	528	2.17%	594,957	211	0.14%
Fed funds sold/resale agreements	68,437	637	3.69%	103,515	598	2.29%	17,573	6	0.14%
Restricted stock investments and other bank stock	14,883	243	6.48%	14,855	211	5.64%	12,928	190	5.83%
Total interest-earning assets	2,170,177	28,143	5.14%	2,185,372	25,363	4.60%	2,155,371	21,114	3.89%
Total non-interest-earning assets	139,205			141,467			138,006		
Total assets	\$ 2,309,382			\$ 2,326,839			\$ 2,293,377		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing NOW accounts	\$ 215,272	\$ 121	0.22%	\$ 226,394	\$ 54	0.09%	\$ 186,207	\$ 100	0.21%
Money market and savings accounts	700,544	1,975	1.12%	699,276	1,097	0.62%	694,506	220	0.13%
Time deposits	123,524	463	1.49%	95,028	155	0.65%	109,745	133	0.48%
Total interest-bearing deposits	1,039,340	2,559	0.98%	1,020,698	1,306	0.51%	990,458	453	0.18%
Borrowings:									
FHLB advances	3,696	44	4.72%	—	—	—%	6,652	25	1.49%
Subordinated debt	17,759	271	6.05%	17,735	271	6.06%	17,664	271	6.09%
TruPS	—	—	—%	—	—	—%	2,730	32	4.65%
Total borrowings	21,455	315	5.82%	17,735	271	6.06%	27,046	328	4.81%
Total interest-bearing liabilities	1,060,795	2,874	1.07%	1,038,433	1,577	0.60%	1,017,504	781	0.30%
Non-interest-bearing liabilities:									
Noninterest-bearing deposits ⁽¹⁾	970,908			1,012,619			1,007,192		
Other liabilities	23,199			26,287			23,886		
Shareholders' equity	254,480			249,500			244,795		
Total Liabilities and Shareholders' Equity	\$ 2,309,382			\$ 2,326,839			\$ 2,293,377		
Net interest spread			4.07%			4.00%			3.58%
Net interest income and margin	\$ 25,269	4.62%		\$ 23,786	4.32%		\$ 20,333	3.74%	
Net interest income and margin excluding PPP loans	\$ 25,243	4.62%		\$ 23,758	4.32%		\$ 15,537	3.03%	
Cost of deposits			0.51%			0.25%			0.09%
Cost of funds			0.56%			0.31%			0.15%

(1) Average noninterest-bearing deposits represent 48.30%, 49.80% and 50.42% of average total deposits for the three months ended December 31, 2022, September 30, 2022 and December 31, 2021.

Southern California Bancorp and Subsidiary

Average Balance Sheets and Yield Analysis

(Unaudited)

	Year Ended					
	December 31, 2022			December 31, 2021		
	Average Balance	Income/Expense	Yield/Cost	Average Balance	Income/Expense	Yield/Cost
(\$ in thousands)						
Assets						
<i>Interest-earning assets:</i>						
Total non-PPP loans	\$ 1,707,487	\$ 84,711	4.96%	\$ 1,029,702	\$ 48,523	4.71%
Total PPP loans	13,073	1,655	12.66%	326,064	17,690	5.43%
Total loans	1,720,560	86,366	5.02%	1,355,766	66,213	4.88%
Debt securities	151,101	3,385	2.24%	28,751	455	1.58%
Deposits in other financial institutions	210,467	1,509	0.72%	358,905	453	0.13%
Fed funds sold/resale agreements	65,172	1,388	2.13%	15,559	17	0.11%
Restricted stock investments and other bank stock	14,668	927	6.32%	11,186	635	5.68%
Total interest-earning assets	2,161,968	93,575	4.33%	1,770,167	67,773	3.83%
Total non-interest-earning assets	139,450			97,436		
Total assets	\$ 2,301,418			\$ 1,867,603		
Liabilities and Shareholders' Equity						
<i>Interest-bearing liabilities:</i>						
Interest-bearing NOW accounts	\$ 211,075	\$ 312	0.15%	\$ 135,765	\$ 207	0.15%
Money market and savings accounts	690,830	3,481	0.50%	589,384	1,113	0.19%
Time deposits	100,746	797	0.79%	105,101	734	0.70%
Total interest-bearing deposits	1,002,651	4,590	0.46%	830,250	2,054	0.25%
Borrowings:						
FHLB advances	932	43	4.61%	5,170	25	0.48%
Paycheck Protection Program Liquidity Facility	—	—	—%	17,150	60	0.35%
Subordinated debt	17,723	1,086	6.13%	17,628	1,083	6.14%
TruPS	1,239	70	5.65%	2,718	140	5.15%
Total borrowings	19,894	1,199	6.03%	42,666	1,308	3.07%
Total interest-bearing liabilities	1,022,545	5,789	0.57%	872,916	3,362	0.39%
Non-interest-bearing liabilities:						
Noninterest-bearing deposits ⁽¹⁾	1,006,795			783,754		
Other liabilities	22,024			19,788		
Shareholders' equity	250,054			191,145		
Total Liabilities and Shareholders' Equity	\$ 2,301,418			\$ 1,867,603		
Net interest spread			3.76%			3.44%
Net interest income and margin	\$ 87,786		4.06%	\$ 64,411		3.64%
Net interest income and margin excluding PPP loans	\$ 86,131		4.01%	\$ 46,721		3.24%
Cost of deposits			0.23%			0.13%
Cost of funds			0.29%			0.20%

(1) Average noninterest-bearing deposits represent 50.10%, and 48.56% of average total deposits for the year ended December 31, 2022 and December 31, 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			Year Ended	
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(\$ in thousands)				
Adjusted net income					
Net income	\$ 8,474	\$ 6,929	\$ 3,375	\$ 16,113	\$ 10,709
(Deduct)/add: After-tax merger and related (income) expenses	(6)	82	734	846	1,987
(Deduct)/add: After-tax loss contingency (recovery) expenses	—	(845)	—	3,734	—
Adjusted net income (non-GAAP)	<u>\$ 8,468</u>	<u>\$ 6,166</u>	<u>\$ 4,109</u>	<u>\$ 20,693</u>	<u>\$ 12,696</u>
Efficiency Ratio					
Noninterest expense	\$ 13,212	\$ 13,410	\$ 14,866	\$ 64,028	\$ 53,539
Less: Merger and related expenses	(8)	117	969	1,177	2,450
(Add)/deduct: Loss contingency (recovery) expenses	—	(1,200)	—	5,300	—
Adjusted noninterest expense	<u>\$ 13,220</u>	<u>\$ 14,493</u>	<u>\$ 13,897</u>	<u>\$ 57,551</u>	<u>\$ 51,089</u>
Net interest income	25,269	23,786	20,333	87,786	64,411
Noninterest income	188	358	526	3,675	4,514
Total net interest income and noninterest income	<u>\$ 25,457</u>	<u>\$ 24,144</u>	<u>\$ 20,859</u>	<u>\$ 91,461</u>	<u>\$ 68,925</u>
Efficiency ratio (non-GAAP)	51.9%	55.5%	71.3%	70.0%	77.7%
Adjusted efficiency ratio (non-GAAP)	51.9%	60.0%	66.6%	62.9%	74.1%
Pre-tax pre-provision income					
Net interest income	\$ 25,269	\$ 23,786	\$ 20,333	\$ 87,786	\$ 64,411
Noninterest income	188	358	526	3,675	4,514
Total net interest income and noninterest income	25,457	24,144	20,859	91,461	68,925
Less: Noninterest expense	13,212	13,410	14,866	64,028	53,539
Pre-tax pre-provision income (non-GAAP)	\$ 12,245	\$ 10,734	\$ 5,993	\$ 27,433	\$ 15,386
(Deduct)/add: Merger and related (income) expenses	(8)	117	969	1,177	2,450
(Deduct)/add: Loss contingency (recovery) expenses	—	(1,200)	—	5,300	—
Adjusted pre-tax pre-provision income (non-GAAP)	<u>\$ 12,237</u>	<u>\$ 9,651</u>	<u>\$ 6,962</u>	<u>\$ 33,910</u>	<u>\$ 17,836</u>

	Three Months Ended			Year Ended	
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(\$ in thousands)				
Return on Average Assets, Equity, and Tangible Equity					
Net income	\$ 8,474	\$ 6,929	\$ 3,375	\$ 16,113	\$ 10,709
Adjusted net income (non-GAAP)	\$ 8,468	\$ 6,166	\$ 4,109	\$ 20,693	\$ 12,696
Average assets	\$ 2,309,382	\$ 2,326,839	\$ 2,293,377	\$ 2,301,418	\$ 1,867,603
Average shareholders' equity	254,480	249,500	244,795	250,054	191,145
Less: Average intangible assets	39,475	38,940	34,475	38,960	24,707
Average tangible common equity (non-GAAP)	<u>\$ 215,005</u>	<u>\$ 210,560</u>	<u>\$ 210,320</u>	<u>\$ 211,094</u>	<u>\$ 166,438</u>
Return on average assets	1.46%	1.18%	0.58%	0.70%	0.57%
Adjusted return on average assets (non-GAAP)	1.45%	1.05%	0.71%	0.90%	0.68%
Return on average equity	13.21%	11.02%	5.47%	6.44%	5.60%
Adjusted return on average equity (non-GAAP)	13.20%	9.80%	6.66%	8.28%	6.64%
Return on average tangible common equity (non-GAAP)	15.64%	13.06%	6.37%	7.63%	6.43%
Adjusted return on average tangible common equity (non-GAAP)	15.63%	11.62%	7.75%	9.80%	7.63%

	December 31, 2022	September 30, 2022	December 31, 2021
	(\$ in thousands except share and per share data)		
Tangible Common Equity Ratio/Tangible Book Value Per Share			
Shareholders' equity	\$ 260,356	\$ 249,432	\$ 246,528
Less: Intangible assets	39,387	39,527	38,806
Tangible common equity (non-GAAP)	<u>\$ 220,969</u>	<u>\$ 209,905</u>	<u>\$ 207,722</u>
Total assets	\$ 2,282,049	\$ 2,310,329	\$ 2,259,866
Less: Intangible assets	39,387	39,527	38,806
Tangible assets (non-GAAP)	<u>\$ 2,242,662</u>	<u>\$ 2,270,802</u>	<u>\$ 2,221,060</u>
Equity to asset ratio	11.41%	10.80%	10.91%
Tangible common equity to tangible asset ratio (non-GAAP)	9.85%	9.24%	9.35%
Book value per share	\$ 14.51	\$ 13.96	\$ 13.92
Tangible book value per share (non-GAAP)	\$ 12.32	\$ 11.75	\$ 11.73
Shares outstanding	17,940,283	17,863,525	17,707,737

INVESTOR RELATIONS CONTACT

Kevin Mc Cabe

Bank of Southern California

kmccabe@banksocal.com

818.637.7065