California
Bank of Commerce

...defined by the company we keep.[sm]

2012 Annual Report

California Bank of Commerce

In memory of Peter Branagh, Director, and Mona Branagh
Founders & Friends

Fellow Shareholders, Clients, and Friends:

When we started our Bank in July of 2007, we purposefully chose a strategy that focused on banking middle market companies in the San Francisco Bay Area. We invested in high quality business bankers and technologies that would separate us from our competitors, create efficiencies, and provide a more valuable client experience. Since then, we've stayed true to our strategy, attracting new business clients and deepening relationships with our existing clients. Our Bank's brand and reputation have spread rapidly across our region. Our strategy, our focus, and our quality people have resulted in one of the fastest growing business banks in California.

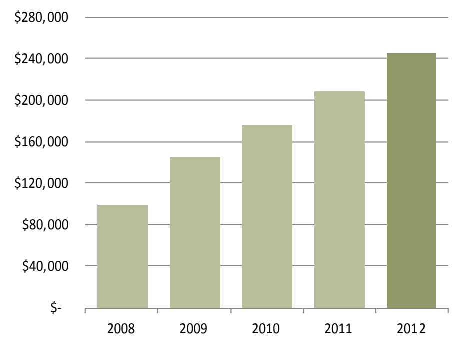
We look forward to 2013, confident that our Bank will become even more successful.

2012 Achievements

Our balance sheet continued to grow in 2012. Existing and new relationships brought $38 million in net year-over-year loan growth to the Bank. Total loans reached $246 million at year-end 2012, our highest year-end total. We've built a strong balance sheet that's getting stronger.

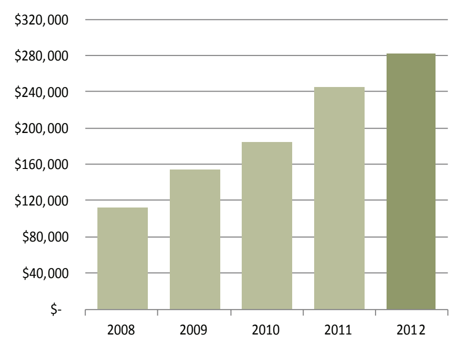
During 2012, we not only grew our loan portfolio at an impressive rate but also improved its quality. The Bank's non-performing assets (including restructured loans that are current) to total assets ratio declined 35% to 1.26% at year-end 2012.

Total Loans
(Dollars Thousands)



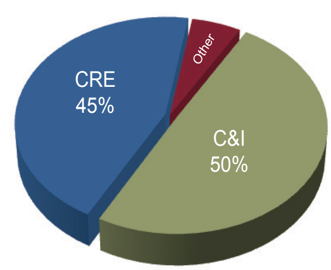
We've built a strong balance sheet that's only getting stronger

Total Deposits
(Dollars Thousands)



Our relationship clients also entrusted us with a record level of deposits. Total deposits reached $281 million at year-end, an increase of over 15% from the previous year. Five percent of our relationships have over $1 million on deposit with our Bank, further demonstrating our clients' confidence and trust in us. Non interest bearing deposits, monies businesses typically use for their daily operations and cash needs, represent approximately 30% of our total deposits, bolstering our margin, while demonstrating the depth of our relationships.

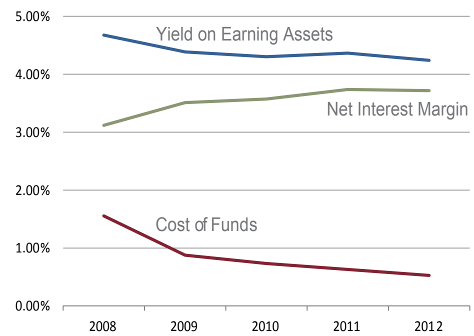
Loan Portfolio
(Dollars Thousands)



Our loan portfolio is further evidence that we are staying true to our strategy. Over 50% of our loans are to middle market, privately held businesses for working capital, equipment, or term financing. Another 45% of the portfolio is composed of commercial real estate loans with a significant portion representing owner occupied properties. The remainder of our portfolio is invested in personal loans to business owners, construction & development loans, and Small Business Administration (SBA) loans.

The low interest rate environment continues to be a challenge for most financial institutions, including ours. The prime rate, the base rate from which most business loans are priced, remains at its lowest level in decades, enabling our clients to take advantage of some of the lowest rates on commercial loans in generations. However, the low prime rate, in combination with lower returns on cash investments, has resulted in low yields on earning assets for most banks.

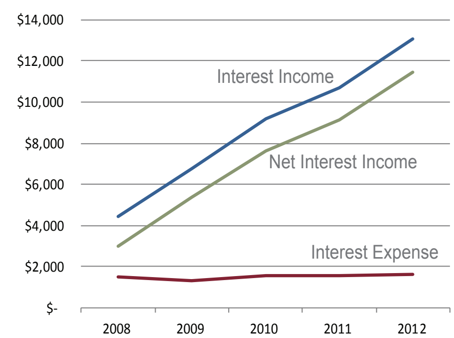
Yields
(Percent)



The same market forces driving down asset yields have depressed rates that banks pay on client deposits. This fact created further challenges as we attempted to balance how we attract new deposits with maintaining a healthy overall net interest margin. We are pleased to have managed our net interest margin to 3.71%, relatively unchanged year over year.

At the same time we were successfully maintaining our net interest margin, we continued to attract loans and deposits, fueling our net interest income growth. Net interest income reached a new high for the Bank in 2012, generating $11.4 million toward our bottom line compared to $9.1 million the previous year. Our net interest income growth was bolstered by a 109% increase in non interest income, including gains on loan sales, securities sales, and additional fee income.

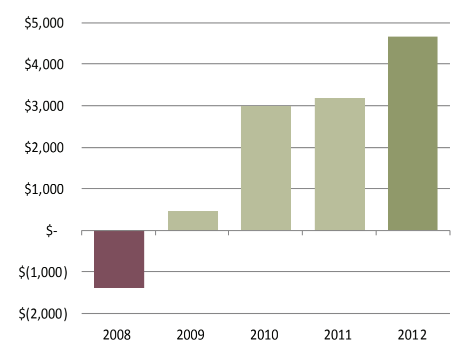
Net Interest Income
(Dollars Thousands)



We Doubled Net Income in 2012

In 2012, we generated $1.8 million in net income, doubling our previous year's net income. Income before taxes was $3.1 million in 2012, compared to $1.5 million in 2011. Pre-tax operating profit -- profit before taxes, extraordinary items, option expense, and provision -- was $4.7 million in 2012 compared to $3.1 million in 2011.

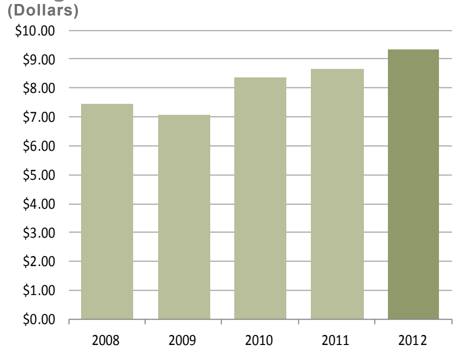
Pre-tax Operating Profit
(Dollars Thousands)



The Bank's success is the result of the client relationships we have established and maintained since our inception. These relationships are developed by the quality people we have hired and retained. In 2012 we continued to add quality bankers to our ranks. Yet we managed to maintain enviable productivity, efficiency, and overhead cost ratios. The Bank's average assets per employee reached $7.76 million at year-end, marking the Bank's highest asset productivity mark since we opened. At the same time, the Bank continues to improve its efficiency ratio, which averaged 67% in 2012.

All of our efforts have directly translated into enhanced shareholder value. We increased earnings per share (EPS) nearly 150% in 2012 to $0.57, and the Bank's tangible book value per common share reached $9.34. While pleased with our progress, we expect to continue driving improved shareholder value.

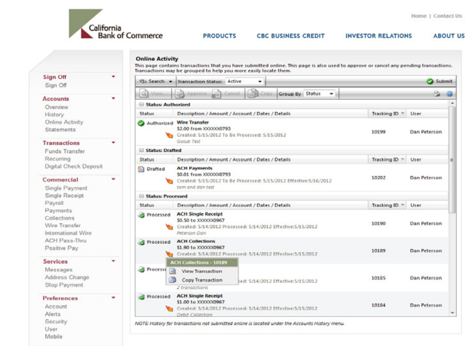
Tangible Book Value Per Share
(Dollars)



We Continue to Explore New Business Lines and Invest in our Infrastructure

In 2012, our two newest business lines – dental and medical practice acquisition financing, and asset based lending – began to contribute to both our loan growth and profitability. As these two specialized business lines become more established in the market, we expect their contributions will grow and further add to our success in the coming years.

Sophisticated Treasury Mangement and Online Banking Suite



Last year we also launched a new online banking platform, rivaling treasury management tools provided by money center banks. The new platform provided improved functionality and features to our business clients. In addition, we enhanced our online security and fraud prevention mechanisms. Our new online banking suite also improves the ease and speed of money transfers between accounts, stop payments, and enhanced ACH functionality. We also made changes that were subtle but very helpful to our clients such as customized payment and balance alerts, and the ability for our clients to customize their home page to more intuitively navigate their online banking experience.

Everywhere Business Banking From CBC Mobile

We also introduced mobile banking applications on the two primary phone platforms. The new mobile applications enable our business clients to submit and approve electronic payments including wires and ACH transfers. Our mobile application also benefits our personal clients with mobile payments, alerts, and of course a plethora of balance information.

Our strategy and focus remains unchanged, and we look forward to continued grow in a safe and sound manner. We are optimistic for the Bank's future as we possess the most important ingredient for our future success -- our people. We continue to be *defined by the company we keep*.

Sincerely,

Stephen A. Cortese
Chairman of the Board

Terry A. Peterson
President & CEO

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Managing Partner, Cortese Investment Company

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A & B Die Casting Company

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Marketing & Investor Relations

Vivian Z. Mui
Senior Vice President,
Senior Credit Officer

Relationship Managers & Senior Officers

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Michele Wirfel
Senior Vice President, Relationship Manager
mwirfel@bankcbc.com

Organizers

In 2006 and 2007, our Organizers shared a vision of California Bank of Commerce and they put their time, money, and reputations on the line to make the Bank a reality. We thank them for their contributions and commitment.

Andy and Denise Armanino	Danville, CA
Charles and Judith Bellig	Danville, CA
John and Susan Bellig	Danville, CA
Mike and Patrice Botto	Moraga, CA
Peter and Mona Branagh	Lafayette, CA
Joe Brescia	Alamo, CA
Ray Brown	Newport Beach, CA
Jeff and Patty Calder	Orinda, CA
Sandy and Jean Colen	Orinda, CA
Ted and Margaret Collins	San Francisco, CA
Jerry Condon	Orinda, CA
Michael and Darcy Cookson	Walnut Creek, CA
Steve and Ann Cortese	Orinda, CA
Jack and Jackie Cullen	Orinda, CA
Kevin and Amy Cullen	Lafayette, CA
Steve and Elaine Dathe	Orinda, CA
Richard and Nancy Doyle	Lafayette, CA
Joe and Jackie Duffel	Orinda, CA
Doug and Lori Fowler	Lafayette, CA
John and Leslie French	Orinda, CA
Rob and Laurie Fuller	Orinda, CA
Claude and Jackie Gaubert	Lafayette, CA
Barry and Mary Gilbert	Alameda, CA
Mollie and Greg Gilbert	Oakland, CA
Stu and Sally Kahn	Orinda, CA
Brad and Jeanne Kisner	Lafayette, CA
Ken and Kristen Kisner	Lafayette, CA
Paul and Vicki Klapper	Hillsborough, CA
Roxy and Steve Klein	Lafayette, CA
Bob and Judy Locker	Lafayette, CA
David and Marsha Maiero	Belmont, CA
John and Nancy Montgomery	Orinda, CA
Tom and Carol Morehouse	Orinda, CA
Terry and Linda Murray	Lafayette, CA
Guy and Maria Muzio	San Francisco, CA
J.P. and Jane Oosterbaan	Mill Valley, CA
Tom and Sue Park	Orinda, CA
Paul Remack	Walnut Creek, CA
Dave and Lori Sanson	Walnut Creek, CA
Hans Schroeder	San Francisco, CA
Dan and Denise Siri	Orinda, CA
Randy and Kathryn Soso	Orinda, CA
Bill and Sherry Stevenson	Orinda, CA
Mark and Kristi Swimmer	Orinda, CA
Steve and Trish Thomas	Walnut Creek, CA
Ed and Mary Traille	Moraga, CA
Bruce and Patti Westphal	Oakland, CA
Dick and Lorraine Whitehurst	Alamo, CA
Steve and Linda Wight	Lafayette, CA

BALANCE SHEETS (unaudited)
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and due from banks	$ 5,776,321	$ 3,093,294
Interest bearing deposits in banks	38,374,829	43,868,788
Total cash and cash equivalents	44,151,150	46,962,082
Investment securities		
Available-for-sale, at estimated fair value	46,718,089	36,349,666
Held to maturity, at amortized cost (fair value of $3,821,629 at December 31, 2012)	3,810,895	-
Loans held for sale	-	372,173
Loans, less allowance for loan losses of $4,675,000 in 2012 and $4,175,000 in 2011	241,473,981	203,572,096
Premises and equipment, net	195,679	319,749
Bank owned life insurance (BOLI)	7,391,725	4,939,253
Deferred taxes, net	2,019,607	2,704,410
Accrued interest receivable and other assets	3,835,463	3,325,821
Total Assets	$ 349,596,589	$ 298,545,250
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 83,181,730	$ 55,465,028
Interest bearing	198,300,033	188,438,362
Total deposits	281,481,763	243,903,390
Other borrowings	29,000,000	18,000,000
Accrued interest payable and other liabilities	2,418,446	1,998,984
Total liabilities	312,900,209	263,902,374
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock – no par value: 10,000,000 shares authorized Series C, noncumulative, $1,000 per share liquidation value, 11,000 shares issued and outstanding at December 31, 2012 and at December 31, 2011	10,949,443	10,949,443
Common stock - no par value; 40,000,000 shares authorized; 2,757,243 issued and outstanding in 2011 and 2,750,000 in 2010	30,342,414	30,056,339
Accumulated deficit	(5,017,814)	(6,581,703)
Accumulated other comprehensive income, net of taxes	422,337	218,797
Total shareholders' equity	36,696,380	34,642,876
Total liabilities and shareholders' equity	$ 349,596,589	$ 298,545,250

Please see our Audited Financial Statements and Report of Independent Auditors for details.

STATEMENTS OF INCOME (unaudited)
For the Years Ended December 31, 2012 and 2011

	2012	2011
Interest income:		
Interest and fees on loans	$ 12,386,016	$ 10,145,984
Interest on investment securities	553,138	452,533
Interest on Federal funds sold	-	1,903
Interest on deposits in banks	108,624	88,639
Total interest income	13,047,778	10,689,059
Interest expense:		
Interest on deposits	1,167,674	1,149,344
Interest on borrowings	443,911	406,105
Total interest expense	1,611,585	1,555,449
Net interest income before provision for loan losses	11,436,193	9,133,610
Provision for loan losses	1,249,688	1,328,061
Net interest income after provision for loan losses	10,186,505	7,805,549
Non-interest income:		
Service charges and fees	794,694	384,445
Net gains on sales of loans	362,161	240,640
Net gains on sales of investment securities	286,314	124,100
Earnings on BOLI	252,472	81,234
Other	44,519	3,399
Total non-interest income	1,740,160	833,818
Non-interest expenses:		
Salaries and employee benefits	5,930,106	4,597,721
Occupancy and equipment	708,068	634,498
Other	2,168,671	1,931,384
Total non-interest expenses	8,806,845	7,163,603
Income before provision for income taxes	3,119,820	1,475,764
Provision for income taxes	1,354,264	682,616
Net Income	1,765,556	793,148
Preferred stock dividend	(201,667)	(159,556)
Income to common shareholders	$ 1,563,889	$ 633,592
Income per share:		
Basic	$ 0.57	$ 0.23
Diluted	$ 0.57	$ 0.23
Weighted average number of shares outstanding – basic	2,750,217	2,750,000
Weighted average number of shares outstanding – diluted	2,750,252	2,750,000

Please see our Audited Financial Statements and Report of Independent Auditors for details.

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