



California
Bank of Commerce

... defined by the company we keep.sm

2015 ANNUAL REPORT



BUSINESSES, LIKE INDIVIDUALS, HAVE LIVES OF THEIR OWN. And as they grow and mature, they need a business bank dedicated to supporting them through every stage of their development.

A bank like California Bank of Commerce (CBC).

CBC was designed and built to provide a unique banking experience for businesses and their owners. Which is why we provide businesses and their founders and executives an experience that surpasses traditional expectations. We combine the power and sophistication of a money center bank with the personal service of a local bank. Indeed, everything we do—and are—is dedicated to creating superior, lasting financial and personal relationships that fuel our clients' success.



Board of Directors

Front: Donald J. Kintzer, Edward B. Collins, Terry A. Peterson, Stephen A. Cortese, Thomas R. Morehouse

Back: Kevin J. Cullen, Andrew J. Armanino, John H. Sears, Wayne S. Doiguchi, Rochelle G. Klein, Stephen R. Dathe, Edmond E. Traille

TO OUR SHAREHOLDERS

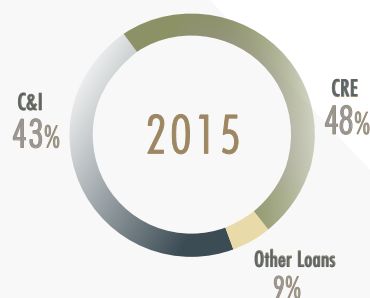


WE ARE VERY PLEASED TO REPORT ANOTHER SUCCESSFUL YEAR for California Bank of Commerce. In addition to our impressive growth in deposits, loans, and total assets, we added a new commercial banking team in San Jose, opened a new office in Oakland, and successfully completed our acquisition of Pan Pacific Bank.

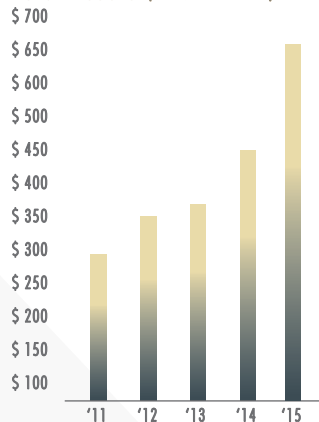
The comparability of financial information for the full year of 2015 to 2014 is affected by the acquisition. Additionally, the planned expansion and related expenses of opening an office in both Oakland and San Jose had the anticipated result of reducing core net income.

- Core net income, basic net income plus tax-effected acquisition expenses, for the full year 2015 was \$3.1 million, or \$0.69 per basic common share, compared to \$3.2 million, or \$0.91 per basic common share, in 2014.
- Total loans increased by 53%, or \$180 million, to \$518 million.
- Net interest income increased by 16%, to \$17.3 million.
- Non-interest-bearing deposits increased by 60% to \$225 million, representing 42% of our total deposits as of December 31, 2015.

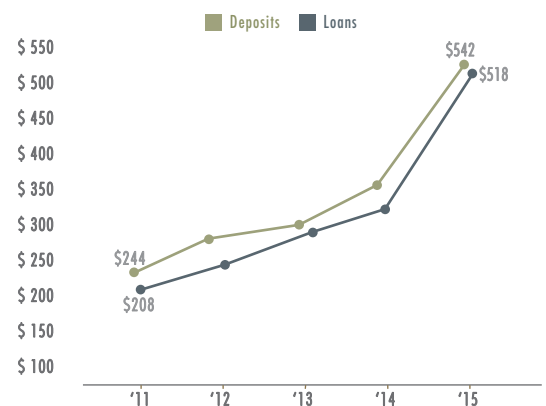
Loan Portfolio



Total Assets (Dollars Millions)



Total Loans & Deposits (Dollars Millions)





Executive Leadership Team
Tom Park, Steve Shelton, Terry Peterson,
John Lindstedt, Tom Dorrance

BUILDING UPON A VERY SUCCESSFUL 2014, California Bank of Commerce accelerated its momentum in 2015 by posting the best year in our history, exceeding our plan in every major balance sheet category.

One of our most important accomplishments for the year was our merger with Pan Pacific Bank—creating a powerful business bank with over \$650 million in total assets, and a proven dedication to serving the demanding needs of successful middle-market businesses in the San Francisco Bay Area.

This strategic partnership gives CBC a stronger presence in the South Bay and Silicon Valley, two major areas of innovation and growth. Combined with our new office in Oakland, we have significantly increased our Bay Area footprint.

As a result of the merger, PPB Chairman and CEO Wayne Doiguchi has been named to the CBC Board of Directors. The merger closed on December 31, 2015. The similarity of our cultures allows the combined organization to accelerate our momentum. We are poised for another strong year of financial performance in 2016.

Many people contribute to our continuing success and momentum. We thank our outstanding employees who are the true face of CBC. We thank our board members for their continued guidance and oversight. Most important, we thank our clients for entrusting us to provide customized banking solutions to their financial needs. We are *defined by the company we keep*, but we are also measured by the difference we make.



Stephen A. Cortese
Chairman of the Board



Terry A. Peterson
President and Chief Executive Officer



FROM LAKE MERRITT IN OAKLAND, TO THE SKYSCRAPERS OF SAN FRANCISCO, TO THE WIND FARMS OF THE ALTAMONT PASS, few regions on earth are as diverse and dynamic as the San Francisco Bay Area. It's this energy we help fuel every day. As one of the area's leading business banks, we provide innovative financing and sound advice to the dreamers and doers who drive our economy and change our lives. Our business bankers are knowledgeable in a wide range of industries, providing tailored solutions shaped by their experience and expertise.

Here are just a few of the industries we work with and a sampling of the clients we help.

CONTRACTORS

Contractors help build California—from the bridges that span The Bay to the buildings where we all live, work, and play. At CBC, we're proud to provide financing and guidance that's purpose-built to meet the needs of contractors. This includes loans to buy equipment or build a facility, long-term financing to expand operations, and ongoing working capital to smooth out cash flow during times of growth. Plus, we have connections to financial and business resources to help expand their network and drive their success. It's little wonder many of our contractor clients have been with us for decades. Because we know the challenges they face every day.



- To help expand and improve Bay Area transit service, we provided a job-specific line of credit to a client in support of two time-sensitive street shutdowns, as part of San Francisco's Transbay Terminal project. The shutdowns occurred over Labor Day and Veterans Day. And the job was completed on time and on budget.
- In the aftermath of the devastating San Bruno pipeline explosion, CBC helped one of our longtime clients upgrade residential natural gas lines. By materially increasing their line of credit, they were able to undertake a large, long-term project with the power company to help safely and reliably deliver gas and power service to California residents.



MANUFACTURERS

The California dream is alive and well, fueled largely by a resurgence in the state's growing manufacturing base. Today, California is home to more manufacturing companies than any other state. And many of those companies partner with us. Our Relationship Managers have a deep understanding and insight into the complex needs of manufacturing clients—from maintaining their supply chain, hiring, and retaining a quality workforce, to navigating the state's often challenging environment. We understand manufacturers because we've worked with them since our inception, providing flexible financing solutions to both young and established firms, in good times and bad.



- We began our relationship with an industrial products company in Northern California in the early 2000s, starting with a small revolving line of credit that eventually grew to a total commitment in excess of \$6 million. We provided financing to establish a new East Coast manufacturing facility, as well as shareholder loans to purchase the equity interest of an existing shareholder. The company grew to more than \$75 million in revenue and was sold in 2015.



DENTAL

Unique among banks, we've built a team dedicated to serving dental professionals—providing them with solutions and guidance all the way from practice acquisition to retirement. Our services include acquisition loans, equipment financing, lines of credit, commercial real estate financing, and cash management services. Perhaps our highest value rests in the many relationships we've built in the dental community over many decades. We're at the center of an extensive network of resources and information, enabling us to spot emerging trends and opportunities. We then use this knowledge to create personalized solutions for our dental clients looking to acquire an existing practice, expand their operations, or relocate to other areas.



- In 2015, we provided a practice acquisition loan of \$1.65 million to an orthodontist purchasing a multi-location practice in a North Bay county. Our client was a successful orthodontist but needed a creative approach to financing the acquisition. CBC helped by crafting a purchase agreement that included 20% seller carryback financing to offset post-purchase revenue risk and ensure the sellers were vested in the buyer's success. It was a collaborative approach that yielded positive results.



FOOD

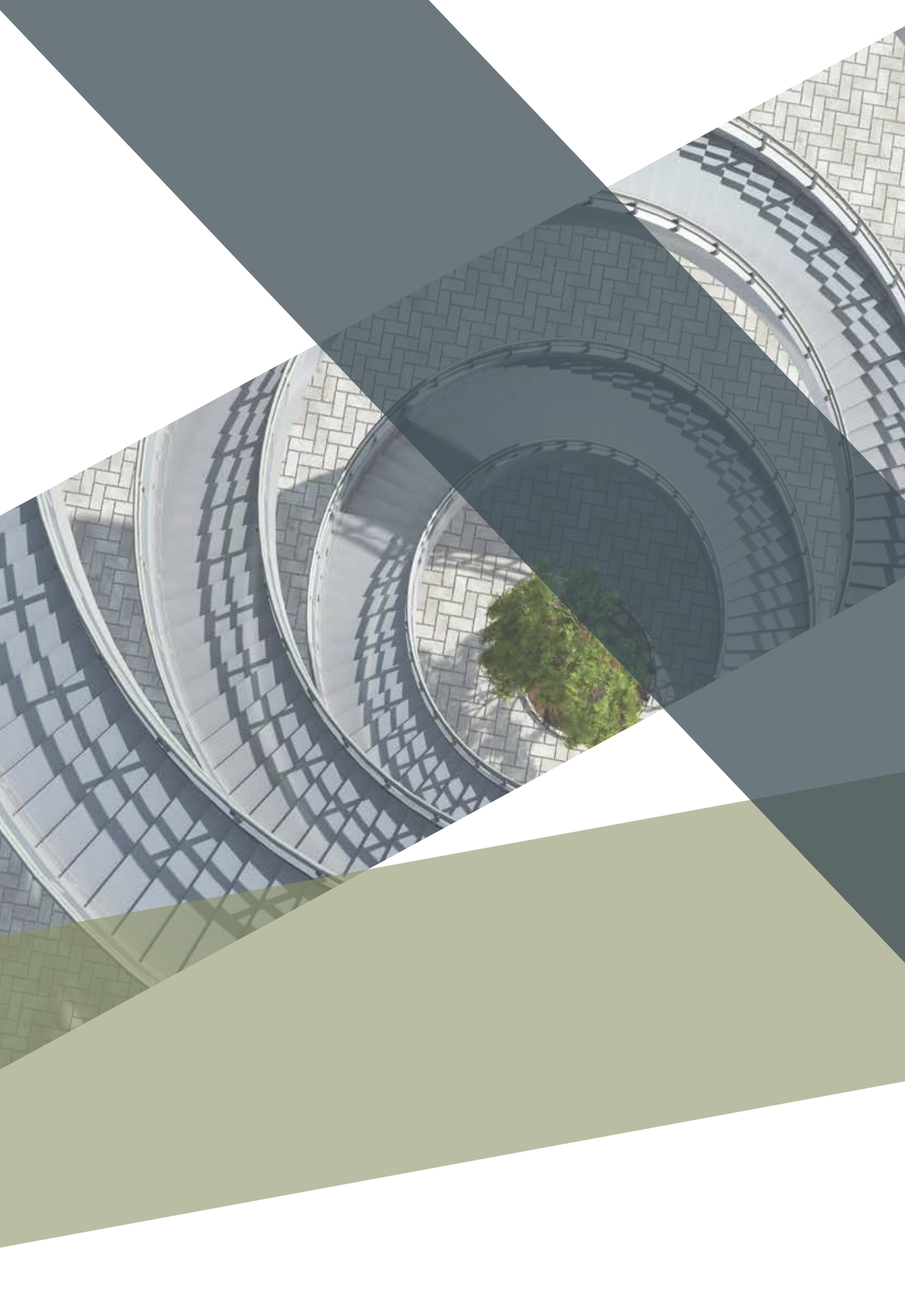
California feeds the world, thanks largely to the region's many leading food and beverage companies. At California Bank of Commerce, we're proud to support these companies in this competitive and often challenging environment.

Whether they're creating a new product or modernizing a facility, our F&B clients profit from our comprehensive, customized solutions. Our industry specialists help our clients maximize margins, secure distribution and placement, and cover the costs associated with ever-changing food safety and handling mandates. They're also adept at helping acquire land and buildings, and financing growing receivable and inventory levels.

It's a level of expertise and experience that extends to every facet of the industry. Over the years we've become part of a large network of co-packers, food brokers, suppliers, and vendors—enabling us to connect our clients to a world of innovation and opportunity.

- A local food manufacturing company suffered a major fire that completely shut down its production capabilities. Before the smoke had cleared, CBC was there—with \$1 million in working capital financing to support cash shortfalls while the client repaired the line and awaited insurance proceeds. The facility was soon back up to speed, and our client had one of their best years ever.
- An award-winning manufacturer of cookies and candies needed a forward-looking bank to help take it to the next level. We were happy to do just that. In addition to restructuring the company's existing debt, we provided access to expanded financing as the company raised new capital for growth and expansion.





PROFESSIONAL SERVICES

Since our inception, Northern California's leading professional services firms have turned to the professionals at California Bank of Commerce.

Whether they're a large regional or a small boutique firm, each of our clients benefits from tailored treasury services and customized banking solutions. For example, seasonal cash flow is a big challenge for many professional service firms. So, we create customized credit structures to help them maintain liquidity during leaner times.

We also develop deposit strategies for clients who historically maintain large deposit balances to maximize returns while also maintaining liquidity access.

Every business is different. So we always bring a fresh approach—resulting in nimble, creative, timely solutions.

- A large independent accounting firm in California is continually looking for opportunities to grow its business. So the firm looked to CBC. We quickly developed cash flow-based acquisition financing to help our client make strategic acquisitions and increase their geographic market presence.
- A longtime client in the financial advisory industry needed help financing the acquisition of a competitor. We provided our client with a multi-disbursement term loan facility to match the purchase contract, with a customized repayment schedule to match projected revenue and expense levels.
- A well-respected services company was seeking to execute a leveraged buyout of its majority shareholder. The company had solid working capital assets, but insufficient additional assets to bridge the gap. By leveraging the enhancement of an SBA loan guarantee, we were able to provide a loan for the buyout, along with a repayment schedule that matched projected future cash flows.





DISTRIBUTORS

Distributors are the links that keep the supply chain strong. So it's no surprise they're among our most valued and long-standing clients. We understand the competitive pressures distributors deal with every day—from rapidly changing consumer trends, to inventory carrying costs, to the risk of relying on just a few large retail clients. That's why we offer financing solutions tailored to a variety of needs and situations. So whether the challenge comes from nearby or offshore, our clients are prepared for whatever comes their way.



- To support expanding revenues and contracts for a warehousing/logistics company, we provided term financing to help it purchase new equipment, a Revolving Line of Credit to bolster its working capital, and a Standby Letter of Credit to support a new lease on a larger warehouse. The SBLC was in lieu of a cash deposit, which preserved over \$100,000 in available cash for the company.
- We do business with a growing and profitable East Bay company that is majority owned by an Employee Stock Ownership Plan (ESOP). Our ability to understand the intricacies of ESOP financing enabled us to help finance its growth.



COMMERCIAL AND INDUSTRIAL LENDING

Commercial and Industrial (C&I) companies were the driving force of our creation—and remain a pillar of our business. While some banks still view C&I lending as difficult and even risky, we're experts at understanding the complex challenges these companies face. From that knowledge, we're able to provide tailored and sometimes unique terms for C&I firms all the way from their inception to market leadership.



- We provided treasury management services and a Revolving Line of Credit to a client who provides green power and carbon offset products and services—helping make our economy and environment more sustainable. One unique part of our relationship is that the client's contract with various utilities require Standby Letters of Credit, which we've provided both directly and through one of our correspondent banks.



COMMERCIAL REAL ESTATE

As many of our commercial clients grow, they're looking to purchase or refinance their own building/facility. We're experts in handling the complexities of owner-occupied property transactions, leaving our clients free to focus on their core business.

Whether it's traditional real estate financing or Small Business Administration-assisted transactions, we develop the right approach at the right time, helping our clients leverage the many advantages of ownership—including tax advantages, controlling overhead costs, asset appreciation and more.



- The owner of a Silicon Valley manufacturing facility wanted to expand. The company began its building expansion before receiving financing, creating a difficult situation for most banks. CBC knew the company and the related borrower well, and knew the end user of the manufactured product. CBC went the extra mile in providing construction financing for a project already underway.



ASSET BASED LENDING

Asset-based lending (ABL) is an ideal solution for companies that want fast access to working capital, but sometimes have balance sheet challenges and/or are unwilling to sacrifice their hard-earned equity. At CBC, we've created a special division known as CBC Business Credit to provide this unique and valuable financing option.

We've found ABL to be a highly flexible and scalable way to help businesses of all sizes capture a wide variety of opportunities—whether it's growth, refinancing, taking advantage of supplier discounts, buying out shareholders, or even funding payroll. And because ABL can fluctuate depending on a business' current needs, it provides daily and weekly access to the precise amount of working capital required.

We're proud to provide this "out-of-the box" financing solution that remains beyond the realm of traditional bank offerings.



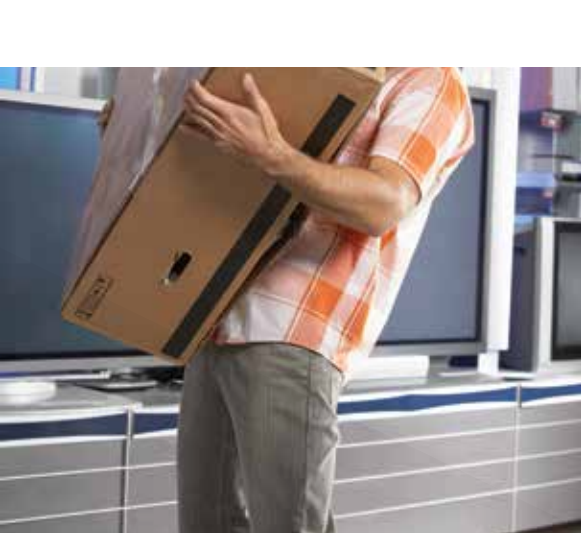
- Founded in 1960, a manufacturer of retail displays and fixtures was facing financial dilemmas—and its current lender was no longer willing to help. We quickly recognized the company's long-standing reputation and strong relationships. So we replaced its \$5 million Revolving Line of Credit with one that had better terms and more flexibility.
- A premier janitorial company had just gone through a class action lawsuit, which led to its existing lenders backing out. We stepped in with a \$1 million Revolving Line of Credit, which—fueled by the company's success—has grown to over \$5 million. We also provided various standby letters of credit to support the company's relationship with its workers' compensation insurer, thus substantially reducing its insurance expenses.
- Established in 1976, a high-end furniture distributor confronted the major challenge of its current bank being bought out—and losing the relationship it valued. Through a trusted referral, it turned to CBC. We customized a solution to provide the distributor with the working capital it needed, on terms no other bank had considered (including the acquiring bank). It was our personalized approach and creative thinking that ultimately won us the business.



SMALL BUSINESS LENDING

Small businesses are the backbone of the California economy. That's why our lenders have more than 30 years of combined experience helping small businesses meet their big challenges. One way is through our Small Business Administration (SBA) loan program.

As a recognized Preferred Lender by the U.S. Small Business Administration, we're able to simply and seamlessly provide the type of SBA loan required. We're also a recognized SBA 504 first mortgage provider. And, our established relationships with Certified Development Corporations (CDCs) help us provide financing that keeps small businesses thriving in a number of key California industries. These include solar, telecommunications, insurance brokerage, manufacturing, hospitality, and engineering.



- An Oakland-based company that specializes in large format print and process systems needed SBA financing to meet a number of important needs. We put together a \$741,900 SBA loan to pay off the first trust deed on its property, purchase a partner's share on the property, pay off an existing loan, and provide working capital to cover loan-related fees.
- A landscaping business outgrew its present location and is now buying a commercial property for its expanding business in Morgan Hill, CA. CBC is processing its loan for \$392,500.



CONSTRUCTION

Our bankers have been financing construction for decades. As a result of our experience and knowledge through various business cycles and because we know our clients, CBC is not in and out of the construction financing market. We stay with our construction clients in both good times and bad—providing the financing they need to weather any storm, while also keeping our bank safe and profitable. It's a balance only truly experienced construction lenders can strike. Our lending team helps qualified real estate investors and developers access capital to build multifamily, retail, office, or industrial buildings. We also facilitate the transition to permanent financing at the end of construction, so builders can maximize their return sooner and break ground on their next project faster.

- A dynamic, growing company wanted to expand its building in a very challenging location near San Francisco's Fisherman's Wharf. It was the kind of project we love. We provided construction financing for a challenging project that resulted in the company adding another building, consolidating its operations, and enjoying stunning views of Alcatraz and the Golden Gate Bridge.
- Many banks would never walk into a project already underway, especially during the last few years when title companies wouldn't issue title insurance due to loss of priority issues. We're not most banks. We worked with the title company to secure the endorsements we needed, and supported our client in the construction of much-needed housing in Oakland.





TREASURY MANAGEMENT

Smart, safe cash management is key to any successful business—whether it's an energetic startup or an established powerhouse. To help, we've created a portfolio of innovative deposit products and treasury management tools to meet each client's cash flow needs and operational capabilities.

Our treasury management team customizes solutions to help our clients manage payments, forecast cash flows, and mitigate risk. All backed by our advanced electronic banking platform that provides clients with around-the-clock access and convenience. Because when you run your own business, there are no business hours.

Some of our treasury management services include:

- Sophisticated check fraud protection (Positive Pay with SAND®)
 - Dual control payments on Automated Clearing House (ACH) wires
 - Foreign currency wires to most countries
 - High-volume digital check deposit from anywhere, anytime
 - Mobile business treasury tools on all the latest tablets, smartphones, and laptops
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- We provided enhanced treasury management services and a working capital line of credit to a nonprofit children's art museum—and supported its mission of educating and enriching at-risk communities.
 - A local Better Business Bureau asked if we could build its ACH file for 400 recipients. We built its ACH file within 24 hours. And the Bureau moved all its business to us.
 - After a client sent an international wire at 5:15pm, they realized it was fraudulent. So they called us. We connected with the correspondent bank and were able to get 100% of the funds returned to us.



STATEMENTS OF INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
Interest income:		
Interest and fees on loans	\$ 18,071,786	\$ 15,450,656
Interest on investment securities	425,424	641,946
Interest on interest bearing deposits in banks	140,265	93,158
Total interest income	18,637,475	16,185,760
Interest expense:		
Interest on deposits	932,269	834,140
Interest on borrowings	452,545	452,516
Total interest expense	1,384,814	1,286,656
Net interest income before provision for loan losses	17,252,661	14,899,104
Provision (Benefit) for loan losses	280,408	(70,589)
Net interest income after provision for loan losses	16,972,253	14,969,693
Non-interest income:		
Service charges and other fees	1,609,245	1,294,019
Net gains on sales of loans	—	132,661
Net (losses) gains on sales of investment securities	(22,174)	52,919
Earnings on BOLI	300,888	310,533
Other	458,315	365,780
Total non-interest income	2,346,274	2,155,912
Non-interest expenses:		
Salaries and employee benefits	9,354,241	7,599,176
Occupancy and equipment	1,219,556	967,550
Merger related	1,098,868	30,000
Other	3,791,232	3,203,692
Total non-interest expenses	15,463,897	11,800,418
Income before provision for income taxes	3,854,630	5,325,187
Provision for income taxes	1,586,173	1,971,730
Net Income	2,268,457	3,353,457
Preferred stock dividend	(110,000)	(110,000)
Income to common shareholders	\$ 2,158,457	\$ 3,243,457
Earnings per common share:		
Basic	\$ 0.49	\$ 0.91
Diluted	\$ 0.47	\$ 0.87
Weighted average number of common shares outstanding – basic	4,371,771	3,558,860
Weighted average number of common shares outstanding – diluted	4,627,360	3,723,559

BALANCE SHEETS

December 31, 2015 and 2014

Assets	2015	2014
Cash and due from banks	\$ 12,921,429	\$ 6,210,281
Interest bearing deposits in banks	55,942,946	51,786,253
Total cash and cash equivalents	68,864,375	57,996,534
Investment securities		
Available-for-sale, at estimated fair value	31,786,518	31,320,930
Loans, less allowance for loan losses of \$5,875,000 in 2015 and \$5,560,000 in 2014	512,496,608	333,252,251
Premises and equipment, net	2,350,653	241,845
Bank owned life insurance (BOLI)	15,502,289	11,854,475
Deferred income taxes, net	6,272,699	2,331,087
Core Deposit Intangible	558,468	—
Goodwill	7,350,465	—
Accrued interest receivable and other assets	7,753,271	8,616,353
Total assets	\$ 652,935,346	\$ 445,613,475
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	\$ 225,139,528	\$ 140,558,314
Interest bearing	317,044,351	214,468,126
Total deposits	542,183,879	355,026,440
Other borrowings	29,000,000	29,000,000
Accrued interest payable and other liabilities	3,813,371	3,009,196
Total liabilities	574,997,250	387,035,636
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, 2015 and 2014	10,949,443	10,949,443
Common stock - no par value; 40,000,000 shares authorized; 5,537,837 issued and outstanding in 2015 and 4,328,488 in 2014	64,123,095	46,866,592
Retained earnings	2,830,463	672,006
Accumulated other comprehensive income, net of taxes	35,095	89,798
Total shareholders' equity	77,938,096	58,577,839
Total liabilities and shareholders' equity	\$ 652,935,346	\$ 445,613,475

AT CBC, WE BELIEVE RELATIONSHIPS ARE EVERYTHING. Which is why everything we do revolves around building and strengthening them. We immerse ourselves in our clients' goals, plans, and visions of the future. Then, together we create financial solutions that drive results. But we don't wait to be asked. We actively search for opportunities and make introductions to help our clients at every phase of their corporate life cycle—whether it's just getting started, expanding their base, or creating new markets and revenue streams. It's a shared experience. A personal connection. And most of all, a relationship built on trust. Which, even as bankers, we can't put a value on.



Relationship Managers

Front: Daniel Fujimoto, Jessica Perez, Colleen Atkinson, Elizabeth Pham, Joseph Wilson

Back: Kevin Knox, Leonel Soto, Ray Strzelecki, Franklin Haggas, Kelly Attebery,

Terry Guillory, Annalyn Perez, Michael Khan, Tony Mesones, Phillip Hoover

Not pictured: Amy Efland and Natalie Taaffe



Executive and Senior Vice Presidents
 Front: Chris Morin, Michele Wirfel, Cindy Peters, Leland Ong
 Back: Tommiette Rey, Winston Bandong, John Lehman,
 James Christiansen, Steven Nelson, Mark DeVincenzi, Vivian Mui



Jamie Smith and Steve Tessler

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... defined by the company we keep.™