



Beach Cities Commercial Bank Announces Second Quarter 2024 Financial Results

Press Release- July 31, 2024

IRVINE, Calif. -- (BUSINESS WIRE) --Beach Cities Commercial Bank, www.beachcitiescb.com (OTCQB: BCCB) (the "Bank"), today announced financial results for the quarter ended, June 30, 2024.

Beach Cities Commercial Bank (the Bank) was incorporated under the laws of the State of California on April 11, 2022. The Bank opened for business on June 12, 2023, after receiving all necessary regulatory approvals, and it began providing a full range of banking services from its branch locations in Irvine and Encinitas, California. The Bank operates primarily in the Southern California commercial markets, offering business and personal deposit accounts. The lending products includes loans secured by commercial real estate, commercial and industrial loans, guidance lines of credit supporting bridge loans, lines of credit, SBA 7A and 504 loans, SBA express lines of credit, and State guaranteed loans. The Bank has a state-of-the-art technology platform and offers cash management products and services to allow its customers the ability to focus on their business and not worry about banking.

Significant items for the period include:

- Total assets were \$81.2 million as of June 30, 2024, which increased by \$33.2 million from December 31, 2023 (69.3% growth).
- Total loans were \$63.1 million as of June 30, 2024, which increased by \$41.1 million from December 31, 2023 (185.9% growth).
- Total deposits were \$61.3 million as of June 30, 2024, which increased by \$35.5 million from December 31, 2023 (124.7%).
- Total liquidity remains very high at \$14.3 million, which equates to 17.7% of the Bank's total assets. The Bank also maintains contingent borrowing sources at \$25.9 million which equates to 32% of total assets.
- The loan portfolio average yield was at 8% which is contributing to a healthy net interest margin at 4.14% as of June 30, 2024.
- The Bank maintains a reserve for credit losses of \$726,000 which equates to 1.15% of total loans. As of June 30, 2024, the Bank had Zero dollars in delinquent, and non-performing loans.

The Bank reported second quarter net loss of \$1.27 million and year-to-date net loss of \$2.59 million. As the Bank continued to grow its loan portfolio, the interest income increased, which decreased the Bank's quarterly net loss. The second quarter's net loss of \$1.27 million decreased from the first quarter's loss of \$1.33 million by \$62k or 4.7%.

During the second quarter, 2024, the total interest income was \$1.27 million compared to \$863,000 recorded during the first quarter, 2024, an increase of 47%. The Bank's interest expense mainly from the interest-bearing deposits was \$557,882 for the second quarter, 2024, compared to \$283,838 for the first quarter, 2024, an increase of 96%. The interest expense increased due to the growth in the short-term institutional CDs deposits. The Bank has launched a campaign to replace these high- cost institutional CD deposits with non-interest bearing deposits to reduce the interest cost. The second quarter, 2024, net interest income increased by \$135,564 from the first quarter 2024, an increase of 23%.

Total non-interest expenses for the second quarter, 2024, were \$1.8 million compared to \$1.67 million incurred during the first quarter 2024, an increase of \$137k (8.2%). The increases were in the data processing expense and professional/legal categories. This was the result of completing several technology-related projects using an outside consultant. As these buildout projects get fully implemented, the Bank's reliance on outside consultants is expected to phase out in the third quarter, 2024.

As noted above, the Bank's liquidity remains above 17% of total assets. The Bank has also established contingent lines of borrowings with its correspondent banks, including Federal home loan Bank of San Francisco. As of June

30, 2024, total contingent borrowing sources unused totaled \$25.9 million or 32% of total assets outstanding.

“The Bank completed its first full year in operations in June 2024, and during this period, has made tremendous progress in growing the Bank,” noted *H. Kent Falk, CEO*.

“During the first start-up quarter, the Bank invested its resources in implementing its technology platform, and as more products and services became live, we have seen incredible growth in lending and attracting good clients within the Southern California region. We have a great board of directors and a team of associates put together that continue to work diligently to offer excellent products and services to our clients. We are very excited about our future,” stated *Jeffrey Redeker, President*.

About Beach Cities Commercial Bank

Beach Cities Commercial Bank is a full-service bank, serving the business, commercial and professional markets. The Bank meets the financial needs of its business clients with loans for working capital, equipment, owner-occupied and investment commercial real estate, and a full array of cash management services and deposit products for businesses and their owners. Beach cities Commercial Bank meets its clients’ needs through its head office and branch in Irvine and regional office and branch in Encinitas, California. For more information, please visit www.beachcitiescb.com.

FORWARD-LOOKING STATEMENT: This news release contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "Believe," "Continue," "could," "Estimate," "expect," "intend," "likely," "May," "outlook," "Plan," "potential," "predict," "Project," "Should," "will," "would" and similar terms and phrases, including references to assumptions. Forward-looking statements are based upon various assumptions and analyses made by the Bank (which includes the Bank) considering management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. These statements are not guaranteeing of future performance and are subject to risks, uncertainties, and other factors (many of which are beyond the Bank's control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Accordingly, you should not place undue reliance on such statements. Factors that could affect the Bank's results include, without limitation, the following: the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Bank's control; there may be increases in competitive pressure among financial institutions or from non-financial institutions; changes in the interest rate environment may reduce interest margins; changes in deposit flows, loan demand or real estate values may adversely affect the business of the Bank; unanticipated or significant increases in loan losses; changes in accounting principles, policies or guidelines may cause the Bank's financial condition to be perceived differently; changes in corporate and/or individual income tax laws may adversely affect the Bank's financial condition or results of operations; general economic conditions, either nationally or locally in some or all areas in which the Bank conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Bank currently anticipates; legislation or regulatory changes may adversely affect the Bank's business; technological changes may be more difficult or expensive than the Bank anticipates; there may be failures or breaches of information technology security systems; success or consummation of new business initiatives may be more difficult or expensive than the Bank anticipates; or litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Bank anticipates.

BEACH CITIES COMMERCIAL BANK
UNAUDITED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

	As of June 30, 2024	As of December 31, 2023	Growth \$	Growth %
ASSETS:				
Cash and due from banks	\$ 136	\$ 996	\$ (860)	-86.3%
Interest-bearing balance at the Federal Reserve Bank	14,210	20,985	(6,775)	-32.3%
Total Cash and Cash Equivalents	<u>14,346</u>	<u>21,981</u>	<u>(7,635)</u>	<u>-34.7%</u>
Debt Securities available for sale	993	980	13	1.3%
Total Loans	63,136	22,081	41,055	185.9%
Allowance for credit losses	(726)	(301)	(425)	141.2%
Net Loans	<u>62,410</u>	<u>21,780</u>	<u>40,630</u>	<u>186.5%</u>
Premises and equipment, net	223	268	(45)	-16.8%
Right-of-use asset	1,566	1,741	(175)	-10.1%
Other assets	1,654	1,207	447	37.0%
TOTAL ASSETS	<u>\$ 81,192</u>	<u>\$ 47,957</u>	<u>\$ 33,235</u>	<u>69.3%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits				
Non-interest Bearing deposits	\$ 7,193	\$ 6,673	520	7.8%
Interest-bearing deposits	54,145	19,186	34,959	182.2%
Total Deposits	<u>61,338</u>	<u>25,859</u>	<u>35,479</u>	<u>137.2%</u>
Other Liabilities	2,846	2,711	135	5.0%
TOTAL LIABILITIES	<u>64,184</u>	<u>28,570</u>	<u>35,614</u>	<u>124.7%</u>
Common Stock				
Additional paid in capital	25,019	25,019	-	0.0%
Accumulated deficit	416	200	216	108.0%
Accumulated other comprehensive loss	(8,426)	(5,831)	(2,595)	44.5%
Accumulated other comprehensive loss	(1)	(1)	-	0.0%
Total Shareholders' Equity	<u>17,008</u>	<u>19,387</u>	<u>(2,379)</u>	<u>-12.3%</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 81,192</u>	<u>\$ 47,957</u>	<u>\$ 33,235</u>	<u>69.3%</u>

BEACH CITIES COMMERCIAL BANK
UNAUDITED STATEMENT OF OPERATIONS
(Dollars in thousands except share and per share amounts)

	For the Three Months Ended			For the Six Months Ended	For the twelve Months Ended
	June 30, 2024	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Interest Income:					
Loans	\$ 1,039,820	\$ 603,552	\$ 318,288	\$ 1,643,372	\$ 336,181
Investment Securities	13,216	13,043	13,013	26,259	17,320
Other Short-term investments	220,164	246,997	316,334	467,161	821,283
Total Interest Income	<u>1,273,200</u>	<u>863,592</u>	<u>647,635</u>	<u>2,136,792</u>	<u>1,174,784</u>
Interest Expense:					
Deposits	557,882	283,838	204,495	841,720	348,702
Total Interest Expense	<u>557,882</u>	<u>283,838</u>	<u>204,495</u>	<u>841,720</u>	<u>348,702</u>
Net Interest Income	<u>715,318</u>	<u>579,754</u>	<u>443,140</u>	<u>1,295,072</u>	<u>826,082</u>
Provisions for credit losses	180,000	245,000	184,900	425,000	317,000
Net interest income after provisions for loan losses	<u>535,318</u>	<u>334,754</u>	<u>258,240</u>	<u>870,072</u>	<u>509,082</u>
Non-Interest income:					
Service charges, fees and other	4,117	5,147	1,606	9,264	1,706
Non-Interest expense:					
Salaries and employee benefits	1,135,056	1,105,393	1,023,984	2,240,449	2,318,336
Occupancy and Equipment expenses	175,312	171,013	170,173	346,325	408,909
Organization Expenses	-	-	-	-	1,045,800
Data Processing	175,117	128,315	139,086	303,432	332,424
Professional and Legal	171,546	111,763	105,668	283,309	469,110
Other Expenses	147,836	151,366	129,696	299,202	294,946
Total Non-Interest expense	<u>1,804,867</u>	<u>1,667,850</u>	<u>1,568,607</u>	<u>3,472,717</u>	<u>4,869,525</u>
Income (Loss) before taxes	(1,265,432)	(1,327,949)	(1,308,761)	(2,593,381)	(4,358,737)
Income tax expense	800	800	800	1,600	800
Net Income (Loss)	<u>\$ (1,266,232)</u>	<u>\$ (1,328,749)</u>	<u>\$ (1,309,561)</u>	<u>\$ (2,594,981)</u>	<u>\$ (4,359,537)</u>
Earnings per share ("EPS"): Basic	\$ (0.50)	\$ (0.52)	\$ (0.51)	\$ (1.02)	\$ (1.71)
Common Shares Outstanding	2,556,112	2,556,112	2,556,112	2,556,112	2,556,112

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