Press Release

Bay Commercial Bank Reports 2016 Fourth Quarter Earnings of $1.9 Million

WALNUT CREEK, Calif.--(GLOBE NEWS WIRE)—Bay Commercial Bank, “Bank”, (OTCBB:BCML), announced quarterly earnings of $1.9 million in the fourth quarter of 2016, compared to $1.2 million in the third quarter of 2016. Diluted earnings per share were $0.35 in the fourth quarter, compared to $0.22 in the prior quarter and an increase over the same quarter last year. Full year 2016 earnings totaled $5.9 million compared to $7.5 million for 2015. Diluted earnings per share were $1.09 for the year ended December 31, 2016, a decrease from $1.36 for the same period in 2015. The Bank’s earnings per share in 2015 were higher due to net earnings attributed to merger accounting.

Founder, President and Chief Executive Officer, George J. Guarini stated, “While we are satisfied with our 2016 financial performance, the year has primarily been about advancing initiatives designed to diversify our loan portfolio over time, diversify our earnings stream over time and ensuring our organic platform supports these initiatives. We are committed to expanding our SBA Platform thereby deriving revenues from the sale of loans. We also continue to seek out the talent to take advantage of Agricultural Lending opportunities which exist in some of the markets we serve. Our previous bank acquisitions have opened these doors. We now have the earnings performance which enables us to commit resources to growing our Commercial and Industrial, Agricultural and SBA lending business lines.

Guarini added, “2017 has brought with it a commitment to reducing our funding costs in a rising interest rate environment and diversifying the markets in which we serve. Our recently executed definitive agreement in connection with the acquisition of United Business Bank represents a significant step in that direction. The transaction, which will result in a combined institution of over $1.1B, is expected to close early in the 2nd quarter subject to Shareholder and Regulatory approvals. The combined institution will also increase our number of locations from 10 to 18 and increase our market reach to Seattle, Albuquerque and Southern California.

Guarini concluded, “We believe there are additional M&A opportunities available in the marketplace which will benefit our franchise”.

The Bank also provided the following highlights on its operating and financial performance for the fourth quarter of 2016:

- Loans totaled $508.3 million at December 31, 2016, compared to $513.5 million at September 30, 2016 and $464.4 million at December 31, 2015. New loan volume was approximately $24.3 million in the fourth quarter of 2016 compared to $26.8 million in the third quarter.
- Deposits totaled $590.7 million at December 31, 2016 compared to $568.6 million at September 30, 2016 and $543.3 million at December 31, 2015. Non-interest bearing deposits represent 21.78% of total deposits and the cost of total deposits increased slightly to 0.65%.
- Non-accrual loans represented 0.21% of total loans as of December 31, 2016 resulting in a Texas ratio of 2.28%. The provision for loan losses recorded in the fourth quarter totaled reduction of $19 thousand.

- All capital ratios are well above regulatory requirements for a Well-capitalized institution. The total risk-based capital ratio was 13.86% at December 31, 2016 compared to 13.91% at September 30, 2016, and the tangible common equity to tangible assets ratio was 11.45% at December 31, 2016 compared to 11.53% at September 30, 2016.

Loans and Credit Quality

Loan originations in the fourth quarter of 2016 were spread throughout our markets with the majority focused in Solano County, Contra Costa County and San Mateo County. By loan type, owner-user real estate, investor real estate and residential real estate accounted for the majority of the new loan volume in the quarter.

Year-to-date loan originations of $137.1 million are approx. $9.9 million lower than compared to the same period in 2015. Payoffs of $15.4 million in the quarter ended December 31, 2016 were primarily the result of property sales or planned events.

Non-accrual loans totaled $1 million, or 0.21% of the loan portfolio at December 31, 2016, compared to $1.5 million, or 0.29%, at September 30, 2016 and $333 thousand, or 0.07% a year ago. The increase in non-accrual loans from a year ago primarily relates to Agriculture related loans which have experienced some credit deterioration. Accruing loans past due 30 to 89 days totaled $625 thousand at December 31, 2016, compared to $751 thousand at September 30, 2016 and zero a year ago.

The provision for loan losses recorded in the fourth quarter of 2016 totaled reduction of $19 thousand as the quality of the loan portfolio did not warrant a provision. Net charge-offs for the fourth quarter totaled $456 thousand compared to $226 thousand in the prior quarter and recoveries of $23 thousand in the same quarter a year ago. The ratio of allowance for loan losses to loans totaled 0.74% at December 31, 2016 compared to 0.83% at September 30, 2016. As of December 31, 2016, acquired loans totaling $79.3 million are coved by mark to market valuations.

Investments and Borrowings

The investment portfolio totaled $26.3 million at December 31, 2016, a decline of $1.7 million from September 30, 2016 mainly due to the maturity of investment securities. No borrowings were outstanding as of the end of the year.

Deposits

Deposits totaled $590.7 million at December 31, 2016, compared to $568.6 million at September 30, 2016 and $543.3 million at December 31, 2015. While day-to-day volatility continues due to the normal business activity of our customers, the trend is upward in both average and ending balances. Non-interest bearing deposits totaled $128.6 million, or 21.7% of total deposits, compared to 24.8% at September 30, 2016 and 27.9% at December 31, 2015.

Earnings

Net interest income totaled $26.1 million for the year ended December 31, 2016 compared to $22.5 million for the year ended December 31, 2015. The increase of $3.6 million was primarily due to a combination of an increase in average earning assets of $50.7 million and a more profitable asset mix. Additionally, an increase in acquired loan income of $490 thousand in 2016 contributed to the positive results.

Net interest income totaled $6.8 million in the fourth quarter of 2016, compared to $6.2 million in the prior quarter and $5.9 million in the same quarter a year ago.

The tax-equivalent net interest margin was 4.12% in the fourth quarter of 2016, compared to 4.07% in the prior quarter and 3.92% in the same quarter a year ago. The increase from last quarter includes 24 basis points related to the payoffs of PCI loans.

Loans acquired through the acquisition of other banks are classified as PCI or non-PCI loans and are recorded at fair value at acquisition date. For acquired loans not considered credit impaired, the level of accretion varies due to maturities and early payoffs. Accretion on PCI loans fluctuates based on changes in cash flows expected to be collected. Gains on payoffs of PCI loans are recorded as interest income when the payoff amounts exceed the recorded investment. PCI loans totaled $7.4 million, $8.8 million, and $9.8 million at December 31, 2016, September 30, 2016 and December 31, 2015, respectively.

Accretion and gains on payoffs of purchased loans recorded to interest income were $1.2 million for the fourth quarter 2016 compared to $439 thousand for the third quarter 2016, and $3.3 million for the year ended December 31, 2016 and $2.3 million for the year ended December 31, 2015.

Non-interest income in the fourth quarter of 2016 totaled $371 thousand, compared to $339 thousand in the prior quarter and $709 thousand in the same quarter a year ago. The increase compared to the prior quarter primarily relates to a decline in servicing income as a result of serviced loan prepayments in the third quarter of 2016 compared to the fourth quarter of 2016. The decrease from the same quarter last year is primarily due to the declining level of loans serviced for others.

Non-interest expense totaled $3.9 million in the fourth quarter of 2016 down slightly from the prior quarter and the same quarter a year ago.

About Bay Commercial Bank

The Bank offers a full-range of loans, including SBA, FSA and USDA guaranteed loans, and deposit products and services to businesses and its affiliates throughout the Greater Bay Area. The Bank also offers business escrow services and facilitates tax free exchanges through its Bankers Exchange Division. The Bank is an Equal Housing Lender and member FDIC. It is traded Over the Counter Bulletin Board under the symbol “BCML”. For more information, go to wwww.baycommercialbank.com.

Forward-Looking Statements

This release may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact Bank's earnings in future periods. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may." Factors that could cause future results to vary materially from current management expectations include, but are not limited to, general economic conditions, economic uncertainty in the United States and abroad, changes in interest rates, deposit flows, real estate values, costs or effects of future acquisitions, competition, changes in accounting principles, policies or guidelines, legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors (including external fraud and cyber-security threats) affecting Bank's operations, pricing, products and services. These and other important factors are detailed in various securities law filings made periodically by Bank, copies of which are available from Bank without charge. The Bank undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

FINANCIAL HIGHLIGHTS

	December 31, 2016	September 30, 2016	December 31, 2015
Quarter-To-Date			
Net Income	$ 1,900,897	$ 1,206,952	$ 1,170,052
Diluted Earnings Per Common Share	$ 0.35	$ 0.22	$ 0.22
Return On Average Assets (ROA)	1.10%	0.76%	0.74%
Return On Average Equity (ROE)	9.82%	6.38%	6.14%
Efficiency Ratio	54.70%	63.87%	66.46%
Net Interest Margin	4.15%	4.10%	3.95%
Net Charge-Offs/(Recoveries)	$ 455,709	$ 225,802	$ (22,838)
Net Charge-Offs/(Recoveries) To Average Loans	0.09%	0.04%	-0.01%
Year-To-Date			
Net Income	$ 5,911,936	$ 4,011,039	$ 7,452,444
Diluted Earnings Per Common Share	$ 1.09	$ 0.74	$ 1.36
Return On Average Assets (ROA)	0.91%	0.84%	1.24%
Return On Average Equity (ROE)	7.88%	7.20%	10.36%
Efficiency Ratio	60.21%	62.20%	64.12%
Net Interest Margin	4.20%	4.21%	3.94%
Net Charge-Offs/(Recoveries)	$ 673,463	$ 217,754	$ 61,973
Net Charge-Offs/(Recoveries) To Average Loans	0.14%	0.04%	0.02%
At Period End			
Total Assets	$ 675,298,520	$ 652,692,040	$ 623,303,633
Loans:			
Real Estate	$ 440,261,309	$ 451,704,833	$ 398,692,354
Non-real estate	72,310,938	66,556,048	72,941,512
Non-accrual loans	1,090,007	1,508,962	333,676
Mark to market on acquired loans	(5,312,008)	(6,252,419)	(7,567,843)
Total Loans	$ 508,350,246	$ 513,517,424	$ 464,399,699
Classified Assets (Graded Substandard and Doubtful)	$ 8,376,365	$ 9,042,648	$ 9,619,471
Total Accruing Loans 30-89 Days Past Due	$ 624,865	$ 751,000	$ -
Loan Loss Reserve To Loans	0.74%	0.83%	0.83%
Loan Loss Reserve to Non-accrual loans	346.33%	281.65%	1153.81%
Non-Accrual Loans To Total Loans	0.21%	0.29%	0.07%
Texas Ratio	2.28%	3.07%	0.44%
Total Deposits	$ 590,758,760	$ 568,696,915	$ 543,303,834
Loan-To-Deposit Ratio	86.05%	90.30%	85.48%
Stockholders' Equity	$ 78,063,179	$ 76,021,952	$ 74,570,265
Book Value Per Share	$ 14.26	$ 13.93	$ 13.57
Tangible Common Equity To Tangible Assets	11.45%	11.53%	11.79%
Total Risk-Based Capital Ratio-Bank	13.86%	13.91%	14.13%
Full-Time Equivalent Employees	110	104	106

BAY COMMERCIAL BANK
STATEMENT OF CONDITION (UNAUDITED)
At December 31, 2016, September 30, 2016, and December 31, 2015

	December 31, 2016	September 30, 2016	December 31, 2015
Assets			
Cash and due from banks	$ 128,684,416	$ 99,259,774	$ 108,171,768
Investments	26,393,451	28,133,192	37,198,092
Loans, net of allowance for loan losses and deferred fees	504,264,026	509,320,697	460,207,614
Bank premises and equipment, net	1,106,030	1,206,631	1,390,560
Core Deposit Premium	802,436	885,500	1,200,500
Interest receivable and other assets	14,048,162	13,886,244	15,135,099
Total assets	$ 675,298,520	$ 652,692,039	$ 623,303,633
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Non-interest bearing	$ 128,696,712	$ 136,246,446	$ 152,012,575
Interest bearing			
MMA/NOW/SVG	128,970,967	129,531,642	176,498,461
Premium MM	171,947,166	162,282,939	88,005,876
Time Deposits	161,143,915	140,635,888	126,786,922
Total deposits	$ 590,758,760	$ 568,696,915	$ 543,303,834
Federal Home Loan Bank (FHLB) and other borrowings	-	1,000,000	-
Interest payable and other liabilities	6,476,580	6,973,173	7,619,534
Total liabilities	$ 597,235,340	$ 576,670,088	$ 550,923,368
Stockholders' Equity			
Common Stock, no par value	$ 47,540,808	$ 47,324,304	$ 47,736,637
Retained earnings	24,522,001	24,522,001	17,069,557
Accumulated other comprehensive income	6,000,370	4,175,647	7,574,071
Total stockholders' equity	78,063,179	76,021,952	72,380,265
Total liabilities and stockholders' equity	$ 675,298,520	$ 652,692,039	$ 623,303,633

BAY COMMERCIAL BANK
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended			Years Ended	
	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2016	December 31, 2015
Interest income					
Interest Income - Non RE	$ 837,538	$ 892,219	$ 873,450	$ 3,542,281	$ 4,038,747
Interest Income - RE	5,397,132	5,520,245	5,487,036	21,496,827	18,092,093
Interest on investment securities	230,271	150,635	187,224	809,398	985,011
Interest on Federal funds sold and other bank deposits	139,907	119,092	102,847	422,510	315,299
Mark to market accretion and FAS 91 Fee amortization	1,290,778	438,906	815,134	3,354,471	2,283,922
Total interest income	$ 7,895,626	$ 7,121,097	$ 7,465,691	$ 29,625,487	$ 25,715,072
Interest expense					
Interest on transaction accounts	463,264	392,029	367,712	1,597,440	1,348,598
Interest on time deposits	449,363	366,532	344,445	1,476,134	1,342,123
Premium on core deposits	83,064	105,000	105,000	398,064	449,389
Total interest expense	$ 995,691	$ 863,561	$ 817,157	$ 3,471,638	$ 3,140,110
Net interest income	6,899,935	6,257,536	6,648,534	26,153,849	22,574,962
Provision for loan losses	(19,291)	255,801	365,828	598,463	1,412,000
Net interest income after provision for loan losses	$ 6,919,226	$ 6,001,735	$ 6,282,706	$ 25,555,386	$ 21,162,962
Non-interest income					
Loan Fee Income	79,410	109,232	74,671	331,336	434,634
Service Charge Income	58,204	52,788	53,310	227,904	220,335
Other Fees & Service Charges	100,318	88,865	94,133	379,132	364,533
Other Income	133,548	88,412	86,227	420,166	5,882,458
Total non-interest income	$ 371,480	$ 339,297	$ 308,341	$ 1,358,538	$ 6,901,960
Non-interest expense					
Salaries and Benefits	2,526,873	2,676,450	2,575,184	10,610,511	11,281,382
Occupancy	547,132	518,447	544,666	2,147,472	2,117,424
Professional	171,032	187,086	175,474	773,073	861,358
Insurance	35,534	115,490	106,875	349,072	364,020
Data processing	354,902	352,171	355,951	1,386,115	2,251,206
Office	170,751	173,641	162,982	670,759	784,952
Marketing	86,817	68,035	55,411	269,576	297,974
Net Loan	17,848	64,782	11,611	118,630	464,272
Other Miscellaneous	66,521	57,380	57,160	241,279	478,660
Total non-interest expense	$ 3,977,410	$ 4,213,482	$ 4,045,314	$ 16,566,487	$ 18,901,248
Income before provision for income taxes	3,313,296	2,127,552	2,545,733	10,347,437	9,163,674
Provision for income taxes	1,412,400	920,600	1,090,400	4,435,500	1,711,230
Net income	$ 1,900,897	$ 1,206,952	$ 1,455,333	$ 5,911,936	$ 7,452,444
Net income per common share:					
Basic	$ 0.35	$ 0.22	$ 0.27	$ 1.10	$ 1.37
Diluted	0.35	0.22	0.27	1.09	1.36
Weighted average shares used to compute net income per common share:					
Basic	5,403,024	5,366,474	5,359,762	5,392,597	5,437,790
Diluted	5,437,679	5,381,452	5,377,257	5,433,719	5,493,398
Comprehensive income:					
Net income	$ 1,900,897	$ 1,206,952	$ 1,455,333	$ 5,911,936	$ 7,452,444
Other comprehensive income					
Change in net unrealized gain (loss) on available-for-sale securities	(136,207)	(26,982)	82,733	(231,687)	54,316
Deferred tax expense (benefit)	60,033	2,959	(34,333)	198,493	
Other comprehensive income (loss), net of tax	(76,174)	(24,023)	48,400	(33,194)	54,316
Comprehensive income	$ 1,824,723	$ 1,182,929	$ 1,503,733	$ 5,878,742	$ 7,506,760

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