

APPENDIX A

AGREEMENT AND PLAN OF REORGANIZATION AND MERGER

DATED AS OF DECEMBER 14, 2016

BY AND AMONG

BAY COMMERCIAL BANK,

BAYCOM CORP,

FIRST ULB CORP.,

AND

UNITED BUSINESS BANK, FSB

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I CERTAIN DEFINITIONS	2
1.1 Certain Definitions.....	2
ARTICLE II THE MERGERS AND RELATED MATTERS.....	11
2.1 The Mergers; Surviving Entities.....	11
2.2 Filing of Agreement of Merger.....	12
ARTICLE III EFFECT OF THE MERGER ON CAPITAL STOCK.....	12
3.1 Effect on Capital Stock.....	12
3.2 Exchange of Certificates.....	14
3.3 Withholding Rights.....	16
ARTICLE IV ACTIONS PENDING THE MERGER.....	16
4.1 Forbearances by FULB and UBB.....	16
4.2 Forbearances of BAY.....	21
ARTICLE V REPRESENTATIONS AND WARRANTIES.....	25
5.1 Disclosure Schedules.....	25
5.2 Representations and Warranties of FULB and UBB.....	25
5.3 Representations and Warranties of BAY.....	41
ARTICLE VI COVENANTS.....	56
6.1 Reasonable Best Efforts.....	56
6.2 Regulatory Filings.....	56
6.3 Press Releases.....	56
6.4 Access; Information.....	57
6.5 No Solicitation.....	57
6.6 FULB Shareholder Recommendation.....	60

6.7	Requisite Shareholder Approval.....	61
6.8	Indebtedness; Trust Preferred Securities; Note Payable.....	62
6.9	Notification of Certain Matters.....	62
6.10	Estoppel Letters and Consents; Title Insurance.....	62
6.11	Antitakeover Statutes.....	63
6.12	Notice to UBB Customers	63
6.13	Indemnification; Directors and Officers Insurance	63
6.14	Post-Merger Boards.....	64
6.15	California Permit	64
6.16	Benefit Plans.....	65
6.17	Certain Policies.....	66
ARTICLE VII CONDITIONS TO CONSUMMATION OF THE TRANSACTION.....		66
7.1	Conditions to Each Party’s Obligation to Effect the Transactions Contemplated Hereby	66
7.2	Conditions to Obligations of FULB and UBB	67
7.3	Conditions to Obligation of BAY.....	68
ARTICLE VIII TERMINATION.....		69
8.1	Termination.....	69
8.2	Liabilities and Remedies; Liquidated Damages; Expense Reimbursement	71
ARTICLE IX MISCELLANEOUS.....		73
9.1	Survival of Representations, Warranties and Agreements	73
9.2	Waiver; Amendment.....	73
9.3	Counterparts.....	73
9.4	Governing Law	73
9.5	Waiver of Jury Trial.....	73

9.6	Expenses	74
9.7	Notices	74
9.8	Entire Understanding; No Third-Party Beneficiaries	75
9.9	Severability	75
9.10	Enforcement of the Agreement.....	75
9.11	Interpretation.....	75
9.12	Assignment	75
9.13	Alternative Structure.....	76

ANNEX A Form of FULB Non-Competition and Voting Agreement

ANNEX B Form of BAY Voting Agreement

ANNEX C Form of Merger Agreement

AGREEMENT AND PLAN OF REORGANIZATION AND MERGER, dated as of December 14, 2016, by and among Bay Commercial Bank, a California state-chartered bank (“BAY”), BayCom Corp, a California corporation that is in the process of becoming a bank holding company and sole shareholder of BAY (“BHC”), First ULB Corp., a California corporation and registered savings and loan holding company (“FULB”) and United Business Bank, FSB, a federal savings bank (“UBB”).

RECITALS

WHEREAS, FULB owns all of the issued and outstanding capital stock of UBB;

WHEREAS, the parties hereto wish to provide for the terms and conditions of a strategic business combination in which, (i) BAY is in the process of a bank holding reorganization where BAY would become a wholly owned subsidiary of BHC and the outstanding shares of BAY would be exchanged for shares of BHC on a one-for-one basis, (ii) in exchange for the merger consideration as set forth herein, FULB would be merged with and into BHC (the “Merger”), with BHC being the surviving entity in the Merger, and (iii) UBB would, immediately after the Merger is consummated, be merged with and into BAY (the “Bank Merger”), with BAY being the surviving entity in the Bank Merger;

WHEREAS, each of the Boards of Directors of BAY, BHC, FULB and UBB has unanimously (i) approved and declared advisable this Agreement and the transactions contemplated by this Agreement, including the Merger, and the Bank Merger, and (ii) determined that this Agreement and such transactions are fair to, and in the best interests of, BHC, BAY, FULB, and UBB, respectively, and the shareholders of BHC, BAY, FULB and UBB, respectively;

WHEREAS, the parties intend that the Merger be treated for federal income tax purposes as a reorganization described in Section 368(a) of the Internal Revenue Code (the “Code”);

WHEREAS, as a material inducement to BAY to enter into this Agreement, and simultaneous with the execution of this Agreement, each of the non-employee directors of FULB and UBB are entering into an agreement, in the form of Annex A hereto (the “FULB Non-Competition and Voting Agreement”), pursuant to which each such non-employee director shall agree, among other things, to vote all shares of capital stock of FULB owned by such person, in favor of the approval and adoption of this Agreement;

WHEREAS, as a material inducement to FULB and UBB to enter into this Agreement, and simultaneous with the execution of this Agreement, each of the directors and executive officers of BAY is entering into an agreement, in the form of Annex B hereto (the “BAY Voting Agreement”), pursuant to which each such director and executive officer shall agree, among other things, to vote all shares of capital stock of BAY owned by such person, in favor of the approval and adoption of this Agreement;

WHEREAS, the parties hereto desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

1.1 Certain Definitions. The following terms are used in this Agreement with the meanings set forth below:

“Acquisition Proposal” means any inquiry, offer or proposal other than by BAY or BHC, whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to: (i) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving FULB or its Subsidiaries; (ii) any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of FULB or its Subsidiaries representing, in the aggregate, twenty-five percent (25%) or more of the assets of FULB on a consolidated basis; (iii) any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing twenty-five percent (25%) or more of the votes attached to the outstanding securities of FULB; (iv) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning twenty-five percent (25%) or more of any class of equity securities of FULB or its Subsidiaries; or (v) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

“Adverse Recommendation Change” means (i) a withdrawal, modification or qualification in any manner that is adverse to BAY of the approval, recommendation or declaration of advisability by the FULB Board, or any such committee thereof with responsibility for the negotiation or oversight to the extent permitted by law of the transactions contemplated by this Agreement, the Merger or any of the other transactions contemplated hereby; (ii) the adoption, approval, recommendation, endorsement or declaration of advisability of the adoption of any Acquisition Proposal; (iii) the resolution, agreement or proposal by the board of directors or any committee of the board of directors of FULB with responsibility for the negotiation or oversight of the transactions contemplated by this Agreement to the extent permitted by law, to take any such actions described in clauses (i) or (ii); or (iii) the submission of this this Agreement to shareholders without recommendation.

“Affiliate” means, with respect to a Person, any Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; for purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” or “under

common control with”), as applied to any Person, means the possession, directly or indirectly, of (i) ownership, control or power to vote twenty-five percent (25%) or more of the outstanding shares of any class of voting securities of such Person, (ii) control, in any manner, over the election of a majority of the directors, trustees or general partners (or individuals exercising similar functions) of such Person or (iii) the power to exercise a controlling influence over the management or policies of such Person.

“Agreement” means this Agreement and Plan of Reorganization and Merger, as amended or modified from time to time in accordance with Section 9.2.

“Alternative Acquisition Agreement” means any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other contract constituting or related to, or which is intended to or is reasonably likely to lead to, any Acquisition Proposal.

“Bank Merger” has the meaning set forth in the recitals to this Agreement.

“Bank Merger Effective Time” has the meaning set forth in Section 2.2.

“Bank Secrecy Act” means the Bank Secrecy Act of 1970, as amended.

“BAY” has the meaning set forth in the preamble to this Agreement.

“BAY Articles” means the Articles of Incorporation of BAY, as amended.

“BAY Benefit Plan” has the meaning set forth in Section 5.3(m).

“BAY Board” means the Board of Directors of BAY.

“BAY Bylaws” means the Bylaws of BAY, as amended.

“BAY Common Stock” means shares of BAY common stock, without par value.

“BAY Closing Book Value” means BAY’s total tangible shareholders’ equity on December 31, 2016 excluding, net of tax effect: (a) accumulated other comprehensive income or loss; and (b) any extraordinary items of income or gain arising out of transactions outside the ordinary course of business.

“BAY Closing Book Value Per Share” means the BAY Closing Book Value divided by the number of shares of BAY Common Stock outstanding on December 31, 2016.

“BAY Financial Statements” means (i) the audited statements of financial condition (including related notes and schedules, if any) of BAY as of December 31, 2015 and 2014, and the statements of operations and comprehensive income, shareholders’ equity and cash flows (including related notes and schedules, if any) of BAY for each of the years ended December 31, 2015 and 2014, (ii) the unaudited statements of financial condition (including

related notes and schedules, if any) of BAY as of September 30, 2016 and the unaudited statements of operations and comprehensive income and shareholders' equity (including related notes and schedules, if any) of BAY for the nine months ended September 30, 2016, and (iii) the statements of financial condition of BAY (including related notes and schedules, if any) and the consolidated statements of operations and comprehensive income and shareholders' equity (including related notes and schedules, if any) of BAY with respect to the monthly, quarterly and annual periods ending subsequent to September 30, 2016.

“BAY Loan Property” has the meaning set forth in Section 5.3(p)

“BAY Material Contract” has the meaning set forth in Section 5.3(l)(i)

“BAY Shareholders Meeting” has the meaning set forth in Section 6.7(b).

“BAY Termination Fee” has the meaning set forth in Section 8.2(a)(ii).

“BAY Voting Agreement” has the meaning set forth in the recitals to this Agreement.

“BHC” has the meaning set forth in the recitals to this Agreement.

“BHCA” means the Bank Holding Company Act of 1956, as amended.

“Burdensome Condition” has the meaning set forth in Section 7.1(a).

“Business Day” means Monday through Friday of each week, except a legal holiday recognized as such by the United States government or any day on which banking institutions in the State of California are authorized or obligated to close.

“Certificate” has the meaning set forth in Section 3.1(a)(ii).

“CFC” means the California Financial Code.

“CGCL” means the California General Corporation Law.

“Closing” has the meaning set forth in Section 7.1.

“Closing Date” means the date on which the Effective Time occurs.

“Code” has the meaning set forth in the recitals to this Agreement.

“Commissioner” means the Commissioner of the Department of Business Oversight of the State of California.

“Community Reinvestment Act” means the Community Reinvestment Act of 1977, as amended.

“Confidentiality Agreement” has the meaning set forth in Section 6.4(c).

“Consents” has the meaning set forth in Section 6.10.

“D&O Insurance” has the meaning set forth in Section 6.13(c).

“DBO” means the Department of Business Oversight of the State of California.

“DBO Permit” has the meaning set forth in Section 6.15(a).

“Derivatives Contracts” means any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, credit-related events or conditions or any indexes, or any other similar transaction or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements related to such transactions.

“Disclosure Schedule” has the meaning set forth in Section 5.1.

“Dissenting Shares” has the meaning set forth in Section 3.1(e).

“DOL” has the meaning set forth in Section 5.2(n)(i).

“Effective Time” has the meaning set forth in Section 2.2.

“Environmental Laws” means any federal, state or local law, statute, code, ordinance, injunction, regulation, order, decree, permit, authorization, opinion or agency or Governmental Authority requirement relating to: (A) the protection or restoration of the environment, health, safety, or natural resources, (B) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance, or (C) wetlands, indoor air, pollution, contamination or any injury or threat of injury to persons or property in connection with any Hazardous Substance.

“Equal Credit Opportunity Act” means the Equal Credit Opportunity Act, as amended.

“Equity Investment” means (i) an Equity Security; and (ii) an ownership interest in any company or other entity, any membership interest that includes a voting right in any company or other entity, any interest in real estate, and any investment or transaction which in substance falls into any of these categories even though it may be structured as some other form of investment or transaction.

“Equity Security” means any stock, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, or voting-trust certificate; any security convertible into such a security; any security carrying any warrant or right to subscribe to or purchase any such

security; and any certificate of interest or participation in, temporary or interim certificate for, or receipt for any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” has the meaning set forth in Section 5.2(n)(iii).

“Exchange Agent” has the meaning set forth in Section 3.2(a).

“Exchange Fund” has the meaning set forth in Section 3.2(a).

“Excluded Shares” means shares of FULB Common Stock owned by BAY, UBB, or FULB, in each case not held (i) in trust accounts, managed accounts and the like, or otherwise held in a fiduciary or agency capacity, that are beneficially owned by third parties or (ii) in respect of a debt previously contracted, as held immediately prior to the Effective Time.

“Fair Housing Act” means the Fair Housing Act, as amended.

“FDIC” means the Federal Deposit Insurance Corporation.

“Federal Reserve Act” means the Federal Reserve Act, as amended.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System.

“FHLB” means the Federal Home Loan Bank of San Francisco.

“Former UBB Employees” has the meaning set forth in Section 6.16(b).

“FULB” has the meaning set forth in the preamble to this Agreement.

“FULB Articles” means the Articles of Incorporation of FULB, as amended.

“FULB Benefit Plans” has the meaning set forth in Section 5.2(n)(i).

“FULB Board” means the Board of Directors of FULB.

“FULB Bylaws” means the Bylaws of FULB, as amended.

“FULB Common Stock” means the common stock of FULB.

“FULB Financial Statements” means (i) the audited consolidated statements of financial condition (including related notes and schedules, if any) of FULB as of September 30, 2015 and, 2014 and the consolidated statements of operations and comprehensive income, shareholders’ equity and cash flows (including related notes and schedules, if any) of FULB for each of the two years ended September 30, 2015 and 2014, (ii) the unaudited consolidated statements of financial condition (including related notes and schedules, if any) of FULB as of

September 30, 2016 and the unaudited consolidated statements of operations and comprehensive income and shareholders' equity (including related notes and schedules, if any) of FULB for the twelve months ended September 30, 2016, and (iii) the consolidated statements of financial condition of FULB (including related notes and schedules, if any) and the consolidated statements of operations and comprehensive income and shareholders' equity (including related notes and schedules, if any) of FULB with respect to the monthly, quarterly and annual periods ending subsequent to September 30, 2016.

“FULB Material Contract” has the meaning set forth in Section 5.2(l)(i).

“FULB Shareholders Meeting” has the meaning set forth in Section 6.7(b).

“FULB Non-Competition and Voting Agreement” has the meaning set forth in the recitals to this Agreement.

“GAAP” means generally accepted accounting principles and practices as in effect from time to time in the United States.

“Governmental Authority” means any federal, territorial, state or local court, administrative agency or commission or other governmental authority or instrumentality or self-regulatory organization.

“Hazardous Substance” means any substance that is: (A) listed, classified or regulated pursuant to any Environmental Law, (B) any petroleum, petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials, radon or urea-formaldehyde insulation, or (C) any other substance which is the subject of regulatory action by any Governmental Authority in connection with any Environmental Law.

“HOLA” means the Home Owners' Loan Act.

“Home Mortgage Disclosure Act” means the Home Mortgage Disclosure Act, as amended.

“Indebtedness of FULB and UBB” means the (i) \$6,392,000 of Trust Debentures due September 15, 2034, (ii) \$6,000,000 promissory note due August 5, 2023 issued to Grandpoint Bank that as of September 30, 2016, has a principal balance of \$5,856,434, (iii) the principal and interest of and premium (if any) in respect of (A) any other indebtedness for money borrowed and (B) any other indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the Ordinary Course of Business); (v) all obligations under leases required to be capitalized in accordance with GAAP; (vi) all obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (vii) all obligations of the type referred to in clauses (iii) and (iv) the payment of which is a direct or indirect obligation, guaranty, surety or otherwise, including guarantees of

such obligations and (vii) all obligations of the type referred to in clauses (iii) through (vii) of other Persons that are secured by any Lien any property or asset (whether or not such obligation is assumed).

“Indemnified Parties” has the meaning set forth in Section 6.13(a).

“IRS” has the meaning set forth in Section 5.2(n)(i).

“Liens” means any charge, mortgage, pledge, security interest, restriction, claim, lien or encumbrance.

“Loans” has the meaning set forth in Section 4.1(s).

“Loan Package” has the meaning set forth in Section 4.1(s).

“Material Adverse Effect” means with respect to any party, any effect, change, development or occurrence that (i) is material and adverse to the condition (financial or otherwise), assets, deposits, results of operations, prospects, liabilities or business of such party, taken as a whole; *provided* that a Material Adverse Effect shall not be deemed to include any effect on the referenced party which is caused by (A) changes in laws and regulations or interpretations thereof, by Government Authorities, that are applicable to the banking or savings industries; (B) changes in GAAP or regulatory accounting principles that are applicable to the banking or savings industries; (C) changes in global, national or regional political conditions or general economic (including interest rates) or market conditions in the United States and the State of California, State of New Mexico and State of Washington, including changes in credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets affecting other companies in the financial services industry; (D) general changes in the credit markets or general downgrades in the credit markets; (E) actions or omissions of a party with the prior consent of the other, in contemplation of this Agreement as required or permitted hereunder, as required under any regulatory approval received in connection with this Agreement or which have been waived in writing by the other party; (F) the public announcement or consummation of the transactions contemplated hereby if such announcement is made after prior consent of the other party; (G) any modifications or changes to valuation policies and practices in connection with the transactions contemplated by this Agreement or restructuring charges taken in connection with the transactions contemplated by this Agreement, in each case in accordance with GAAP; (H) changes in the market price of such party’s common stock; or (I) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism; except to the extent that the effects of such change disproportionately affect such party and its subsidiaries, taken as a whole, as compared to other similarly situated companies in the industry in which such party operates; or (ii) would materially impede the ability of such party to perform its obligations under this Agreement or otherwise materially impede the consummation of the transactions contemplated hereby.

“Material Contract” or “Material Contracts” has the meaning set forth in Section 5.2(l)(i).

“Maximum Amount” has the meaning set forth in Section 6.13(c).

“Merger” has the meaning set forth in the recitals to this Agreement.

“National Labor Relations Act” means the National Labor Relations Act, as amended.

“OCC” means the Office of the Comptroller of the Currency.

“OREO” means other real estate owned.

“Party Expenses” has the meaning set forth in Section 8.2(a)(iii).

“Pension Plan” has the meaning set forth in Section 5.2(n)(ii).

“Per Share Cash Consideration” has the meaning set forth in Section 3.1(a)(ii).

“Per Share Merger Consideration” has the meaning set forth in Section 3.1(a).

“Per Share Stock Consideration” has the meaning set forth in Section 3.1(a)(ii).

“Person” means any individual, bank, corporation, partnership, association, joint-stock company, business trust, limited liability company or unincorporated organization.

“Previously Disclosed” with regard to a party means information set forth in its Disclosure Schedule; *provided, however*, that disclosure in any section of such Disclosure Schedule shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement.

“Proxy Statement-Offering Circular” has the meaning set forth in Section 6.7(a).

“Record Holder” has the meaning set forth in Section 3.2(b)

“Regulatory Approvals” means the approval, non-disapproval and/or non-objection of any bank regulator or other Governmental Authority that is necessary in connection with the consummation of the Merger, the Bank Merger, and the related transactions contemplated by this Agreement.

“Representatives” has the meaning set forth in Section 6.5(a).

“Requisite Shareholder Approval” means, with respect to BAY, BHC, FULB, and UBB the approval of its shareholders required to consummate the Merger and the Bank Merger in accordance with the CGCL and the CFC, as applicable.

“Rights” means, with respect to any Person, warrants, options, rights, convertible securities and other arrangements or commitments of any character that obligate the Person to sell, purchase, issue or dispose of any of its capital stock or other ownership interests or other securities representing the right to purchase or otherwise receive any of its capital stock or other ownership interests.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Shares” has the meaning set forth in Section 3.1(a).

“Subsidiary” has the meaning ascribed to such term in Rule 1-02 of Regulation S-X of the SEC.

“Superior Proposal” means any unsolicited, bona fide binding written Acquisition Proposal that is not obtained in breach of this Agreement and that the FULB Board determines in good faith (after consultation with outside counsel and a financial advisor of nationally recognized reputation), taking into account the identity of the Person making the proposal, all legal, financial, regulatory and other aspects of the Acquisition Proposal and this Agreement (including any proposal to adjust the terms and conditions of this Agreement) including any break up fees, expense reimbursement provisions, conditions to and expected timing and risks of consummation and the form of consideration offered and the ability of the party making such proposal to obtain financing and whether such financing is then fully committed for such Acquisition Proposal, and after taking into account all other legal, financial, strategic, regulatory and other aspects of such proposal (i) is more favorable from a financial point of view to its shareholders than the Merger, (ii) is reasonably likely to receive all necessary Regulatory Approvals for the consummation of the transactions contemplated by the Superior Proposal; (iii) does not contain any condition to closing or similar contingency related to the ability of the party making such proposal to obtain financing; and (iv) is reasonably likely of being completed on the terms proposed on a timely basis.

“Tax” and “Taxes” mean (i) any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), custom duties, capital stock, franchise, profits, net worth, margin, capital production, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether or not disputed, by any Governmental Authority responsible for imposition of any such tax (domestic or foreign), (ii) liability for the payment of any amount of the type described in clause (i) as a result of being or having been on or before the Closing Date a member of an affiliated, consolidated, combined or unitary group, or a party to any agreement or arrangement, as a result of which liability of a Person to a Governmental Authority is determined or taken into account with reference to the liability of any other Person, and (iii) liability for the payment of any amount as a result of being party to any tax sharing agreement or with respect to the payment of any amount of the type described in (i) or (ii) as a result of any existing express or implied obligation (including an indemnification obligation).

“Tax Returns” means any return (including any amended return), declaration or other report (including elections, declarations, claims for refund, schedules, estimates and information returns) with respect to any Taxes (including estimated taxes).

“Trust Debentures” has the meaning set forth in Section 6.8.

“UBB” has the meaning set forth in the preamble to this Agreement.

“UBB Charter” means the Federal Stock Association Charter of UBB, as amended.

“UBB Board” means the Board of Directors of UBB.

“UBB Common Stock” means the common stock of UBB.

“UBB Loan Property” has the meaning set forth in Section 5.2(p).

“USA PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended.

ARTICLE II

THE MERGERS AND RELATED MATTERS

2.1 The Mergers; Surviving Entities.

(a) The Mergers. Subject to the terms and conditions of this Agreement, and pursuant to the applicable provisions of the CGCL and the CFC, federal law and, to the extent applicable, the rules and regulations promulgated by the DBO, and the Federal Reserve Board, at the Effective Time, FULB shall be merged with and into BHC, with BHC as the surviving corporation. Subject to the terms and conditions of this Agreement, and pursuant to the applicable provisions of the CGCL and the CFC, federal law and, to the extent applicable, the rules and regulations promulgated by the DBO and FDIC, immediately following the Merger Effective Time, UBB shall be merged with and into BAY, with BAY as the surviving bank.

(b) Surviving Entities. Upon the consummation of the Merger, the separate corporate existence of FULB shall cease and BHC shall continue as the surviving entity under the laws of the State of California. The name of “BayCom Corp.” as the surviving entity of the Merger shall remain “BayCom Corp.” From and after the Effective Time, BHC, as the surviving entity of the Merger, shall possess all of the properties and rights and be subject to all of the liabilities and obligations of FULB. Upon the consummation of the Bank Merger, the separate corporate existence of UBB shall cease and BAY shall continue as the surviving entity under the laws of the State of California. The name of “Bay Commercial Bank” as the surviving entity of the Bank Merger shall remain “Bay Commercial Bank. From and after the Bank Merger Effective Time, BAY, as the surviving entity of the Bank Merger,

shall possess all of the properties and rights and be subject to all of the liabilities and obligations of UBB.

(c) Articles of Incorporation and Bylaws of the Surviving Entities. The Articles of Incorporation and Bylaws of BHC, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation and Bylaws of BHC, as the surviving corporation of the Merger, until either is thereafter amended in accordance with applicable law. The Articles of Incorporation and Bylaws of BAY, as in effect immediately prior to the Bank Merger Effective Time, shall be the Articles of Incorporation and Bylaws of BAY, as the surviving corporation of the Bank Merger, until either is thereafter amended in accordance with applicable law

(d) Directors and Officers of the Surviving Entities. The directors and officers of BHC immediately prior to the Effective Time shall be the directors and officers of BHC, as the surviving corporation of the Merger, until their respective successors shall be duly elected and qualified or otherwise duly selected, and the directors and officers of BAY immediately prior to the Bank Merger Effective Time shall be the directors and officers of BAY, as the surviving corporation of the Bank Merger, until their respective successors shall be duly elected and qualified or otherwise duly selected, *provided, however*, that the BHC Board shall take all actions legally necessary to cause the number of directors that will comprise the full BHC Board promptly after the Effective Time to be increased by two (2), which two (2) vacancies shall be filled by Malcolm Hotchkiss and Rocco Davis (the "New BHC Directors"). If either of the New BHC Directors do not accept the appointment to the BHC Board, then the vacancy shall be filled from other members of the FULB Board or UBB Board, as chosen by BAY.

2.2 Filing of Agreement of Merger. As soon as practicable, but in no event later than the tenth (10th) calendar day after which each of the conditions set forth in Article VII hereof has been satisfied or waived (other than those conditions that by their nature are to be satisfied at Closing) or such other time as the parties may agree, BHC and FULB will file, or cause to be filed, with the California Secretary of State an agreement of merger in substantially the form of Annex C to this Agreement, effecting the Merger, and the Merger shall become effective at that time (the "Effective Time"). Immediately following the Effective Time, BAY and UBB will file, or cause to be filed, with the California Secretary of State and DBO an agreement of merger, effecting the Bank Merger, and the Bank Merger shall become effective at that time (the "Bank Merger Effective Time").

ARTICLE III

EFFECT OF THE MERGER ON CAPITAL STOCK

3.1 Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the holder of any capital stock of FULB:

(a) Effect on FULB Common Stock. Each share of FULB Common Stock (collectively, the "Shares") issued and outstanding immediately prior to the Effective

Time (other than Excluded Shares and Dissenting Shares) shall be converted into the right to receive the following (the "Per Share Merger Consideration"):

- (i) \$13.50 in cash (the "Per Share Cash Consideration");
- and
- (ii) 0.9733 shares of BHC Common Stock (the "Per Share Stock Consideration").

At the Effective Time, all of the Shares shall cease to be outstanding, shall be cancelled and shall cease to exist, and each certificate (each, a "Certificate", it being understood that any reference herein to "Certificate" shall be deemed, as appropriate, to include reference to book-entry account statements relating to the ownership of shares of FULB Common Stock, and it being further understood that provisions herein relating to Certificates shall be interpreted in a manner that appropriately accounts for book-entry shares, including that, in lieu of delivery of a Certificate and a letter of transmittal as specified herein, shares held in book-entry form may be transferred by means of an "agent's message" to the Exchange Agent or such other evidence of transfer as the Exchange Agent may reasonably request) formerly representing any of the Shares (other than Excluded Shares and Dissenting Shares) shall thereafter represent only the right to receive the Per Share Merger Consideration, without interest.

(b) Effect on BHC Common Stock. The shares of BHC Common Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding and shall not be converted or otherwise affected by the Merger.

(c) No Effect on Capital Stock of BAY. The Merger shall have no effect on the capital stock of BAY.

(d) Cancellation of Excluded Shares. Each Excluded Share shall, as a result of the Merger and without any action on the part of the holder thereof, cease to be outstanding, be cancelled without payment of any consideration therefor and cease to exist.

(e) Dissenting Shares. Any shares of FULB Common Stock or BHC Common Stock held by a Person who dissents from the Merger in accordance with the provisions of applicable law shall be herein called "Dissenting Shares." Notwithstanding any other provision of this Agreement, any Dissenting Shares shall not, after the Effective Time, be entitled to vote for any purpose or receive any dividends or other distributions and shall be entitled only to such rights as are afforded in respect of Dissenting Shares pursuant to applicable law. The Per Share Merger Consideration for any Dissenting Share shall be paid over to BHC by the Exchange Agent pending the determination as to the rights of any Dissenting Share to consideration under applicable laws.

(f) Tax Adjustment. If the Merger fails to satisfy the "continuity of interest" requirements under applicable federal income tax principles relating to reorganizations under Section 368(a) of the Code, then BHC shall reduce the Per Share Cash Consideration (and increase the Per Share Stock Consideration accordingly) to the minimum extent necessary to enable the Merger to meet the requirements for reorganization under

Section 368(a) of the Code. The number of shares of BHC Common Stock by which the Per Share Stock Consideration will be increased will be equal to the amount by which the Per Share Cash Consideration is reduced divided by Bay Closing Book Value Per Share.

3.2 Exchange of Certificates.

(a) Exchange Agent. At the Effective Time, BHC shall make available or cause to be made available to an exchange agent selected by BHC with FULB's prior approval, which shall not be unreasonably withheld (the "Exchange Agent"), amounts in cash and BHC Common Stock sufficient in order for the Exchange Agent to distribute the Per Share Merger Consideration (the "Exchange Fund"). The Exchange Agent shall invest the cash portion of the Exchange Fund as directed by BHC; provided that such investments shall be in a bank account of a federally insured depository institution or in short term (90 days or less) obligations of or guaranteed by the United States of America. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any amounts in excess of the amounts payable under Section 3.1 shall be promptly returned to BHC.

(b) Exchange Procedures. As soon as practicable after the Effective Time (and in no event later than five (5) Business Days after the Effective Time), BHC shall cause the Exchange Agent to mail to each Person that was, immediately prior to the Effective Time, a holder of shares of BHC Common Stock (a "Record Holder") (other than holders of Excluded Shares and Dissenting Shares) represented by Certificates: (i) a letter of transmittal specifying that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates (or affidavits of loss in lieu of the Certificates as provided in Section 3.2(g)) to the Exchange Agent, such customary letter of transmittal to be in such form and have such other provisions as BAY and FULB may reasonably agree; and (ii) instructions for use in effecting the surrender of the Certificates (or affidavits of loss in lieu of the Certificates as provided in Section 3.2(g)) in exchange for the Per Share Merger Consideration. Upon surrender of the Certificates for exchange and cancellation to the Exchange Agent, together with such letter of transmittal duly completed and executed, the Record Holder shall be entitled to promptly receive in exchange for each share of FULB Common Stock represented by such surrendered Certificates: (i) the Per Share Stock Consideration, if any, which such Record Holder has the right to receive pursuant to Section 3.1(a)(ii) hereof; and (ii) the Per Share Cash Consideration which the Record Holder has the right to receive pursuant to Section 3.1(a)(i) hereof (after giving effect to any required Tax withholdings as provided in Section 3.3), with any amount of less than one cent being rounded up to the nearest whole number. Certificates so surrendered shall be cancelled. No interest will be paid or accrued on any amount payable upon due surrender of the Certificates. BHC and BAY shall be entitled to rely upon the stock transfer books of FULB to establish the identity of those persons entitled to receive the Per Share Merger Consideration specified in this Agreement, which books shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of stock represented by any Certificate, BHC shall be entitled to deposit the Per Share Merger Consideration in respect thereof in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(c) Distributions with Respect to Unexchanged Shares. All shares of BHC Common Stock to be issued pursuant to the Merger shall be deemed issued and outstanding as of the Effective Time and, whenever a dividend or other distribution is declared by BHC in respect of the BHC Common Stock, the record date for which is at or after the Effective Time, that declaration shall include dividends or other distributions in respect of all shares issuable pursuant to this Agreement. No dividends or other distributions in respect of the BHC Common Stock shall be paid to any holder of any unsurrendered Certificate until such Certificate (or affidavits of loss in lieu of the Certificate as provided in Section 3.2(g)) is surrendered for exchange in accordance with this Article III. Subject to the effect of applicable laws, following surrender of any such Certificate (or affidavits of loss in lieu of the Certificate as provided in Section 3.2(g)), there shall be issued and/or paid to the holder of the certificates representing whole shares of BHC Common Stock issued in exchange therefor, without interest, (A) at the time of such surrender, the dividends or other distributions with a record date at or after the Effective Time theretofore payable with respect to such whole shares of BHC Common Stock and not paid and (B) at the appropriate payment date, the dividends or other distributions payable with respect to such whole shares of BHC Common Stock with a record date at or after the Effective Time and a payment date subsequent to the time of such surrender.

(d) Transfers. The Per Share Merger Consideration delivered in accordance with the terms of this Article III upon the surrender of the Certificates shall be deemed to have been delivered in full satisfaction of all rights pertaining to such Shares (other than the right to receive the payments and deliveries contemplated by this Article III). At the Effective Time, holders of Certificates shall cease to have rights with respect to FULB Common Stock previously represented by such Certificates, and such holders' sole rights (other than the holders of Certificates representing Dissenting Shares) shall be to exchange such Certificates for the Per Share Merger Consideration in respect of the shares represented thereby. From and after the Effective Time, there shall be no further registration of transfers on the stock transfer books of FULB of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate is presented to BHC or the Exchange Agent for transfer, it shall be cancelled and exchanged for the Per Share Merger Consideration to which the holder of the Certificate is entitled pursuant to this Article III.

(e) Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of BHC Common Stock will be issued in respect of a holder's Shares. In lieu thereof, any holder of Shares entitled to receive a fractional share of BHC Common Stock but for this Section 3.2(e) shall be entitled to receive a cash payment, which payment shall be calculated by the Exchange Agent as an amount equal to the product of (i) such fractional share interest times (ii) BAY Closing Book Value Per Share. All fractional shares to which a single record holder of Shares would otherwise be entitled to receive hereunder shall be aggregated and calculations shall be rounded to three decimal places.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund (including cash, certificates representing shares of BHC Common Stock and the proceeds of any investments of the Exchange Fund) that remains unclaimed by the shareholders of FULB for 180 days after the Effective Time (or such other time as shall be expressly provided

in the agreement with the Exchange Agent with respect to the Exchange Fund), shall be delivered to BHC. Any holder of Shares (other than Excluded Shares and Dissenting Shares) that has not theretofore complied with this Article III shall, after any remaining portion of the Exchange Fund has been delivered to BHC, thereafter look only to BHC for payment of the Per Share Merger Consideration (after giving effect to any required tax withholdings as provided in Section 3.3) upon due surrender of its Certificates (or affidavits of loss in lieu of the Certificates), without any interest thereon. Notwithstanding the foregoing, none of BHC, BAY, the Exchange Agent or any other Person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws.

(g) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by BHC, the posting by such Person of a bond in customary amount and upon such terms as may be reasonably required by BHC as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will distribute the Per Share Merger Consideration with respect to each Share represented by such lost, stolen or destroyed Certificate.

3.3 Withholding Rights. Each of BHC, BAY and Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of FULB Common Stock such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable state, local or foreign Tax law. To the extent that amounts are so withheld by BHC, BAY or Exchange Agent, such withheld amounts (i) shall be timely remitted by BHC or BAY to the applicable Governmental Authority, and (ii) shall be treated for all purposes of this Agreement as having been paid to the holder of shares of FULB Common Stock in respect of which such deduction and withholding was made by BHC or BAY, as the case may be.

ARTICLE IV

ACTIONS PENDING THE MERGER

4.1 Forbearances by FULB and UBB. From the date hereof and until the Effective Time, except as expressly contemplated or permitted by this Agreement, required by a Governmental Authority of competent jurisdiction or as Previously Disclosed or as reasonably requested by BAY, without the prior written consent of BAY (which such consent shall not be unreasonably withheld or delayed), each of FULB and UBB shall not:

(a) Ordinary Course. Conduct its respective business other than in the ordinary and usual course consistent with past practice and in compliance with all laws and prudent business and banking practices, or fail to use commercially reasonable best efforts to preserve its business organization, keep available the present services of its employees and preserve for itself and the other parties the goodwill of its customers and others with whom business relations exist.

(b) Capital Stock. (i) Issue, sell or otherwise permit to become outstanding, or authorize the issuance of or creation of, any additional shares of stock or any Rights or other Rights (other than the issuance of common stock upon exercise of stock options outstanding on the date of this Agreement in accordance with their respective terms), (ii) adjust, split, combine or reclassify any capital stock, (iii) enter into any agreement, understanding or arrangement with respect to the sale or voting of common stock or (iv) directly or indirectly redeem, purchase or otherwise acquire any shares of capital stock or equity interests or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of capital stock or equity interests.

(c) Dividends. Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on, any shares of its capital stock.

(d) Compensation; Employment Agreements; Etc. Except as set forth on Schedule 4.1(d) of the Disclosure Schedule, enter into, amend, renew or accelerate the vesting or payment under, any employment, consulting, severance, change in control, bonus, salary continuation or other similar agreements, arrangements or benefit plans with any current or former director, officer or employee or grant any salary or wage increase or award any incentive or other bonus payment or increase any employee benefit (including incentive or bonus payments), except (i) for other changes that are required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed, or (iii) normal annual merit salary increases made in the ordinary course of business consistent in amount and timing with past practices to employees (other than executive officers).

(e) Hiring. Hire any person as an employee of or promote any employee, except (i) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed or (ii) to fill any vacancies arising after the date hereof and whose employment is terminable at will and who are not subject to or eligible for any severance or similar benefits or payments that would become payable as a result of the transactions contemplated hereby or the consummation thereof.

(f) Benefit Plans. Enter into, establish, adopt, amend or terminate, or make any contributions to, except (i) as may be required by applicable law or (ii) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed, any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan, grant, award or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any current or former director, officer or employee or take any action to accelerate the vesting or exercisability of any compensation or benefits payable thereunder, other than actions related to the transactions contemplated by this Agreement.

(g) Dispositions. Except in the ordinary course of business, (i) sell, transfer, mortgage, license, encumber or otherwise dispose of or discontinue any of its assets, rights, deposits, business or properties outside the ordinary course of business in a transaction

that, in the aggregate, exceeds \$50,000; or (ii) sell, transfer, mortgage, license, encumber or otherwise dispose of any assets, rights, deposits, business or properties at a price that is less than the book value as of September 30, 2016.

(h) Acquisitions. Acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice), including by merger or consolidation, purchasing any equity interest in or making any investment in a partnership or joint venture, all or any portion of the assets, business, securities (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice), deposits or properties of any other Person.

(i) Capital Expenditures. Other than in accordance with binding commitments existing on the date hereof as Previously Disclosed, other than capital expenditures in the ordinary course of business consistent with past practice, and other than capital expenditures Previously Disclosed, make any capital expenditures in amounts not exceeding \$25,000 per project or \$100,000 in the aggregate except for emergency repairs or replacements.

(j) Governing Documents. Amend its articles or certificate of incorporation, bylaws or any other governing documents or enter into a plan of consolidation, merger, share exchange or reorganization with any Person, or a letter of intent or agreement in principle with respect thereto.

(k) Accounting Methods. Implement or adopt any change in its accounting principles, practices or methods, other than (i) as may be required by changes in laws, regulations or GAAP, (ii) for tax purposes or (iii) to take advantage of any beneficial tax or accounting methods.

(l) Contracts. Enter into, cancel, fail to renew or terminate any Material Contract, amend or modify in any material respect any of its existing Material Contracts or real or personal property leases or waive, release, relinquish or assign any Material Contract or real or personal property lease (or any rights thereunder), other than (i) as otherwise permitted under this Agreement, (ii) in the ordinary course of business consistent with past practice or (iii) to replace any existing contractual arrangement on substantially the same terms as the original agreement, including with respect to pricing and termination.

(m) Claims. Enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which it is or becomes a party after the date of this Agreement, which settlement, agreement or action involves payment of an amount which exceeds \$10,000 in excess of amounts contributed by insurance and/or would impose any material restriction on its business.

(n) **Banking Operations.** Enter into any new line of business; introduce any significant new products or services; materially change its lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking and operating policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or the manner in which its investment securities or loan portfolio is classified or reported; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office servicing center or other facility.

(o) **Marketing.** Introduce any marketing campaigns or any new sales compensation or incentive programs or arrangements.

(p) **Derivatives Contracts.** Enter into any Derivatives Contract, except in the ordinary course of business consistent with past practice.

(q) **Indebtedness.** Incur any indebtedness for borrowed money (other than deposits, escrow balances, federal funds purchased, cash management accounts, FHLB advances, in each case in the ordinary course of business consistent with past practice); or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, other than with respect to the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice.

(r) **Investment Securities.** Acquire or otherwise invest in (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any (i) Equity Investment, or (ii) debt security, in each case other than in the ordinary course of business consistent with past practice.

(s) **Loans.** Except to satisfy contractual obligations existing as of the date hereto, (i) make, renew or otherwise modify any loan, loan commitment, letter of credit or other extension of credit originated or to be originated (collectively, "Loans") in a manner that is inconsistent with its ordinary course of business, inconsistent with its lending policies and procedures in effect as of the date of this Agreement, or in the case of a modification or renewal would reduce the outstanding unpaid principal, interest, and other amounts owed under the Loan prior to its modification or renewal; (ii) take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above; (iii) make or commit to make any Loan to, or enter into any transaction with, any directors, officers, employees or any of its Affiliates; or (iv) enter into any Loan securitization or create any special purpose funding entity. For any new Loan to be originated by UBB or renewal in a principal amount such that the total loans outstanding to such borrower, including unfunded commitments would be, in excess of \$2,500,000, prior to committing to extend or renew such Loan, UBB shall provide BAY with a copy of the loan underwriting analysis and credit memo of UBB with respect to the proposed Loan (the "Loan Package"). UBB shall consider any comments that may be raised by BAY within forty-eight (48) hours of BAY's receipt of the Loan Package. If BAY fails to respond

to UBB within forty-eight (48) hours after receipt by BAY of the Loan Package, BAY shall be deemed to have no comments on such Loan.

(t) Investments in Real Estate. Make any investment or commitment to invest in real estate or in any real estate development project (other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice).

(u) Adverse Actions. Knowingly take or fail to take any action: (i) that is intended or may reasonably be expected to result in (A) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Time or (B) any of the conditions to the transactions contemplated set forth in Section 7.2 not being satisfied or (ii) which would reasonably be expected to materially and adversely impair or delay consummation of the transactions contemplated hereby beyond the time period contemplated by this Agreement, except, in each case, as may be required by applicable law or regulation.

(v) Tax Elections. Except as expressly contemplated by this Agreement, make or change any material Tax election, settle or compromise any of its material Tax liabilities, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of its Taxes, enter into any closing agreement with respect to any material amount of its Taxes or surrender any right to claim a material amount of its Tax refund, adopt or change any method of accounting with respect to its Taxes, or file any amended Tax Return.

(w) Antitakeover Statutes. Take any action (i) that would cause this Agreement or the transactions contemplated hereby to be subject to the provisions of any state antitakeover law or state or territorial law that purports to limit or restrict business combinations or the ability to acquire or vote shares ("Antitakeover Law") or (ii) to exempt or make not subject to the provisions of any Antitakeover Law or state law that purports to limit or restrict business combinations or the ability to acquire or vote shares, any Person or any action taken thereby, which Person or action would have otherwise been subject to the restrictive provisions thereof and not exempt therefrom.

(x) Affiliate Transactions. Enter into any transaction, commitment, arrangement or other activity with a related entity, Affiliate or Subsidiary other than (i) compensation in the ordinary course of business consistent with past practice, (ii) loans, subject to subsection 4.1(s), or (iii) deposit transactions.

(y) Interest on Deposits. Increase the rate of interest paid on interest-bearing deposits or on certificates of deposit, except in a manner and pursuant to policies and the ordinary course of business consistent with past practices and otherwise consistent with general economic and competitive conditions in UBB's market area.

(z) Commitments. Enter into any contract with respect to, or otherwise agree, authorize or commit to take, or publicly recommend, propose or announce an intention to take, any of the foregoing actions.

4.2 Forbearances of BAY. From the date hereof and until the Effective Time, except as expressly contemplated or permitted by this Agreement, required by a Governmental Authority of competent jurisdiction or as Previously Disclosed, without the prior written consent of FULB (which such consent shall not be unreasonably withheld or delayed), BAY shall not:

(a) Ordinary Course. Conduct its business other than in the ordinary and usual course consistent with past practice and in compliance with all laws and prudent business and banking practices, or fail to use commercially reasonable best efforts to preserve its business organization, keep available the present services of its employees and preserve for itself and the other parties the goodwill of its customers and others with whom business relations exist.

(b) Capital Stock. (i) Issue, sell or otherwise permit to become outstanding, or authorize the issuance of or creation of, any additional shares of stock or any Rights or permit any shares of stock to become subject to grants of employee or director stock options or other Rights (other than the issuance of common stock upon exercise of stock options outstanding on the date of this Agreement in accordance with their respective terms) other than shares of BAY Common Stock issued to the BHC in the bank holding company reorganization, (ii) adjust, split, combine or reclassify any capital stock, (iii) enter into any agreement, understanding or arrangement with respect to the sale or voting of common stock other than shares issued to the BHC in the bank holding company reorganization or (iv) directly or indirectly redeem, purchase or otherwise acquire any shares of capital stock or equity interests or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of capital stock or equity interests.

(c) Dividends; Share Issuances. Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on, any shares of its capital stock, or redeem any shares of its capital stock.

(d) Compensation; Employment Agreements; Etc. Except as set forth on Schedule 4.2(d) of the Disclosure Schedule, enter into, amend, renew or accelerate the vesting or payment under, any employment, consulting, severance, change in control, bonus, salary continuation or other similar agreements, arrangements or benefit plans with any current or former director, officer or employee or grant any salary or wage increase or award any incentive or other bonus payment or increase any employee benefit (including incentive or bonus payments), except (i) for other changes that are required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed, or (iii) normal annual merit salary increases made in the ordinary course of business consistent in amount and timing with past practices to employees (other than executive officers).

(e) **Hiring.** Hire any person as an employee of or promote any employee, except (i) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed or (ii) to fill any vacancies arising after the date hereof and whose employment is terminable at will and who are not subject to or eligible for any severance or similar benefits or payments that would become payable as a result of the transactions contemplated hereby or the consummation thereof.

(f) **Benefit Plans.** Enter into, establish, adopt, amend or terminate, or make any contributions to, except (i) as may be required by applicable law or (ii) to satisfy contractual obligations existing as of the date hereof as Previously Disclosed, any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan, grant, award or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any current or former director, officer or employee or take any action to accelerate the vesting or exercisability of any compensation or benefits payable thereunder, other than actions related to the transactions contemplated by this Agreement.

(g) **Dispositions.** Except in the ordinary course of business, (i) sell, transfer, mortgage, license, encumber or otherwise dispose of or discontinue any of its assets, rights, deposits, business or properties outside the ordinary course of business in a transaction that, in the aggregate, exceeds \$100,000; or (ii) sell, transfer, mortgage, license, encumber or otherwise dispose of any assets, rights, deposits, business or properties at a price that is less than the book value as of September 30, 2016.

(h) **Acquisitions.** Acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice), including by merger or consolidation, purchasing any equity interest in or making any investment in a partnership or joint venture, all or any portion of the assets, business, securities (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice), deposits or properties of any other Person.

(i) **Capital Expenditures.** Other than in accordance with binding commitments existing on the date hereof, other than capital expenditures in the ordinary course of business consistent with past practice, and other than capital expenditures Previously Disclosed, make any capital expenditures in amounts not exceeding \$50,000 per project or \$100,000 in the aggregate except for emergency repairs or replacements.

(j) **Governing Documents.** Amend its articles or certificate of incorporation, bylaws or any other governing documents or enter into a plan of consolidation, merger, share exchange or reorganization with any Person, or a letter of intent or agreement in principle with respect thereto.

(k) Accounting Methods. Implement or adopt any change in its accounting principles, practices or methods, other than (i) as may be required by changes in laws, regulations or GAAP, (ii) for tax purposes or (iii) to take advantage of any beneficial tax or accounting methods.

(l) Contracts. Enter into, cancel, fail to renew or terminate any Material Contract, amend or modify in any material respect any of its existing Material Contracts or real or personal property leases or waive, release, relinquish or assign any Material Contract or real or personal property lease (or any rights thereunder), other than (i) as otherwise permitted under this Agreement, (ii) in the ordinary course of business consistent with past practice, or (iii) to replace any existing contractual arrangement on substantially the same terms as the original agreement, including with respect to pricing and termination.

(m) Claims. Enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which it is or becomes a party after the date of this Agreement, which settlement, agreement or action involves payment of an amount which exceeds \$25,000 in excess of amounts contributed by insurance and/or would impose any material restriction on its business.

(n) Banking Operations. Enter into any new line of business; introduce any significant new products or services; materially change its lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking and operating policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or the manner in which its investment securities or loan portfolio is classified or reported; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office servicing center or other facility.

(o) Marketing. Introduce any marketing campaigns or any new sales compensation or incentive programs or arrangements.

(p) Derivatives Contracts. Enter into any Derivatives Contract, except in the ordinary course of business consistent with past practice.

(q) Indebtedness. Incur any indebtedness for borrowed money (other than deposits, escrow balances, federal funds purchased, cash management accounts, FHLB advances, in each case in the ordinary course of business consistent with past practice); or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, other than with respect to the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice.

(r) Investment Securities. Acquire or otherwise invest in (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any (i) Equity Investment, or (ii) debt security other than in the ordinary course of business consistent with past practice.

(s) Loans. Except to satisfy contractual obligations existing as of the date hereto, (i) Make, renew or otherwise modify any Loans in a manner that is inconsistent with its ordinary course of business, inconsistent with its lending policies and procedures in effect as of the date of this Agreement, or in the case of a modification or renewal would reduce the outstanding unpaid principal, interest, and other amounts owed under the Loan prior to its modification or renewal; (ii) take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above; (iii) make or commit to make any Loan to, or enter into any transaction with, any directors, officers, employees or any of its Affiliates; or (iv) enter into any Loan securitization or create any special purpose funding entity. For any new Loan to be originated by BAY or renewal in a principal amount such that the total loans outstanding to such borrower, including unfunded commitments would be, in excess of \$5,000,000, prior to committing to extend or renew such Loan, BAY shall provide UBB with a copy of the loan underwriting analysis and credit memo of BAY with respect to the proposed Loan (the "Loan Package"). BAY shall consider any comments that may be raised by UBB within forty-eight (48) hours of UBB's receipt of the Loan Package. If UBB fails to respond to BAY within forty-eight (48) hours after receipt by UBB of the Loan Package, UBB shall be deemed to have no comments on such Loan.

(t) Investments in Real Estate. Make any investment or commitment to invest in real estate or in any real estate development project (other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice).

(u) Adverse Actions. Knowingly take or fail to take any action: (i) that is intended or may reasonably be expected to result in (A) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Time or (B) any of the conditions to the transactions contemplated set forth in Section 7.3 not being satisfied or (ii) which would reasonably be expected to materially and adversely impair or delay consummation of the transactions contemplated hereby beyond the time period contemplated by this Agreement, except, in each as may be required by applicable or regulation.

(v) Tax Elections. Except as expressly contemplated by this Agreement, make or change any material Tax election, settle or compromise any of its material Tax liabilities, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of its Taxes, enter into any closing agreement with respect to any material amount of its Taxes or surrender any right to claim a material amount of its Tax refund, adopt or change any method of accounting with respect to its Taxes, or file any amended Tax Return.

(w) Antitakeover Statutes. Take any action (i) that would cause this Agreement or the transactions contemplated hereby to be subject to the provisions of Antitakeover Law or (ii) to exempt or make not subject to the provisions of any Antitakeover Law or state law that purports to limit or restrict business combinations or the ability to acquire

or vote shares, any Person or any action taken thereby, which Person or action would have otherwise been subject to the restrictive provisions thereof and not exempt therefrom.

(x) Affiliate Transactions. Enter into any transaction, commitment, arrangement or other activity with a related entity, Affiliate or Subsidiary other than (i) compensation in the ordinary course of business consistent with past practice, (ii) loans, subject to subsection 4.2(s), or (iii) deposit transactions.

(y) Interest on Deposits. Increase the rate of interest paid on interest-bearing deposits or on certificates of deposit, except in a manner and pursuant to policies and the ordinary course of business consistent with past practices and otherwise consistent with general economic and competitive conditions in BAY's market area.

(z) Commitments. Enter into any contract with respect to, or otherwise agree, authorize or commit to take, or publicly recommend, propose or announce an intention to take, any of the foregoing actions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1 Disclosure Schedules. On or prior to the date hereof, FULB and UBB have delivered to BAY, and BAY has delivered to FULB and UBB, a confidential schedule (the "Disclosure Schedule") setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Article V or to one or more of its covenants contained in Article IV or Article VI. Any information disclosure in any section of such party's Disclosure Schedule shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement

5.2 Representations and Warranties of FULB and UBB. FULB and UBB hereby jointly and severally represent and warrant to BAY that, except as Previously Disclosed:

(a) Organization, Standing and Authority. UBB is a federally chartered savings bank duly organized and validly existing under the laws of the United States that is duly authorized by the OCC to conduct business as a federal savings bank. UBB is duly licensed or qualified to do business and is in good standing in each jurisdiction where its ownership or leasing of property or assets or the conduct of its business requires it to be so licensed or qualified, except where failure to be so licensed or qualified would not materially impair the ability of UBB to perform its obligations under this Agreement or otherwise materially impede the consummation of the transactions contemplated hereby. UBB has in effect all federal, state, local and foreign governmental authorizations necessary for it to own or lease its properties and assets and to carry on its business as it is now conducted, except where the failure to be so authorized would not materially impair the ability of UBB to perform its obligations under this Agreement or otherwise materially impede the consummation of the

transactions contemplated hereby. The deposit accounts of UBB are insured by the FDIC, in the manner and to the maximum extent provided by applicable law, and UBB has paid all deposit insurance premiums and assessments required by applicable laws and regulations. FULB is a corporation duly organized and validly existing under the laws of the State of California. FULB is duly registered as a savings and loan holding company under HOLA. FULB has in effect all federal, state, local and foreign governmental authorizations necessary for it to own or lease its properties and assets and to carry on its business as it is now conducted, except where the failure to be so authorized would not materially impair the ability of FULB to perform its obligations under this Agreement or otherwise materially impede the consummation of the transactions contemplated hereby. The copies of the UBB Charter, the FULB Articles, the UBB Bylaws, the FULB Bylaws, and the other governing documents of UBB and FULB which have been previously made available to BAY are true, complete and correct copies of such documents as in effect on the date of this Agreement. The minute books of UBB and FULB contain true, complete and correct records in all material respects of all meetings and other material corporate actions held or taken by its board of directors (including committees of its board of directors), as well as the shareholders of UBB and FULB through the date hereof.

(b) FULB Capital Structure.

(i) The authorized capital stock of UBB consists of (i) 1,000 shares of UBB Common Stock, \$100 par value per share, all of which are issued and outstanding. UBB does not have any other shares of capital stock authorized, designated, issued or outstanding. FULB is the record holder of all of the issued and outstanding shares of UBB Common Stock. All outstanding shares of UBB's capital stock (i) have been duly authorized and validly issued and are fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the UBB Charter, the UBB Bylaws or any agreement to which UBB is a party, and (ii) have been offered, sold, issued and delivered by UBB in all material respects in compliance with all applicable laws. There are no declared or accrued but unpaid dividends with respect to any shares of UBB capital stock.

(ii) The authorized capital stock of FULB consists of (i) 10,000,000 shares of FULB Common Stock, no par value per share, of which 1,409,938 shares are issued and outstanding as of the date hereof, and (ii) 10,000,000 shares of preferred stock, no par value per share, none of which are issued and outstanding as of the date hereof. FULB does not have any other shares of capital stock authorized, designated, issued or outstanding. All outstanding shares of FULB's capital stock (i) have been duly authorized and validly issued and are fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the FULB Articles, the FULB Bylaws or any agreement to which FULB is a party, and (ii) have been offered, sold, issued and delivered by FULB in all material respects in compliance with all applicable laws. There are no declared or accrued but unpaid dividends with respect to any shares of FULB capital stock.

(iii) Neither FULB nor UBB currently has in place any stock option plan or any other plan or agreement providing for equity compensation to any Person.

(iv) There are no Rights or agreements obligating FULB or UBB to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any FULB capital stock or any capital stock or equity or other ownership interest of FULB or obligating FULB to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such Right. There are no outstanding or authorized stock options, stock appreciation, phantom stock, profit participation, or other similar rights with respect to either FULB or UBB.

(v) Except for the FULB Non-Competition and Voting Agreements, there are no (i) voting trusts, proxies, or other agreements or understandings with respect to the voting stock of FULB to which FULB is a party, by which FULB is bound, or of which FULB has knowledge, or (ii) agreements or understandings to which FULB is a party, by which FULB is bound, or of which FULB has knowledge relating to the registration, sale or transfer (including agreements relating to rights of first refusal, "co-sale" rights or "drag-along" rights) of any FULB capital stock. There are no Rights or agreements obligating either FULB or UBB to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any FULB or UBB capital stock or any capital stock or equity or other ownership interest of FULB or UBB or obligating FULB or UBB to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such Right.

(c) Subsidiaries. FULB owns all of the issued and outstanding shares of UBB and does not own, beneficially, directly or indirectly, any other Equity Securities or similar interests of any Person or any interest in a partnership or joint venture of any kind. UBB does not own, beneficially, directly or indirectly, any Equity Securities or similar interests of any Person or any interest in a partnership or joint venture of any kind.

(d) Corporate Power. Each of FULB and UBB has the corporate power and authority to carry on its respective business as it is now being conducted and to own all its properties and assets; and each of FULB and UBB has the corporate power and authority to execute, deliver and perform its respective obligations under this Agreement and to consummate the transactions contemplated hereby, in each case, subject to receipt of all necessary approvals of Governmental Authorities.

(e) Corporate Authority.

(i) Subject to receipt of the Requisite Shareholder Approval, this Agreement and the transactions contemplated hereby have been authorized and approved by all necessary corporate action of each of FULB and UBB on or prior to the date hereof and will remain in full force and effect through the Closing. No other corporate or shareholder action is necessary or required to authorize and approve this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by

each of FULB and UBB and, assuming due authorization, execution and delivery by BAY and BHC, this Agreement is a valid and legally binding obligation of each of FULB and UBB, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles).

(ii) The FULB Board and the UBB Board, by a unanimous vote thereof, has adopted resolutions (1) determining that this Agreement and the transactions contemplated herein, including the Merger, are fair to, and in the best interests of, FULB, UBB and its respective shareholders, (2) approving and declaring advisable this Agreement and the transactions contemplated hereby and (3) recommending that FULB's shareholders approve and adopt this Agreement.

(f) Regulatory Approvals. No consents or approvals of, or waivers by, or filings or registrations with, any Governmental Authority or with any third party are required to be made or obtained by FULB, UBB or any of their Affiliates in connection with the execution, delivery or performance by FULB and UBB of this Agreement or to consummate the transactions contemplated hereby, except for (A) filings of applications or notices with, and approvals or waivers by the DBO, the Federal Reserve Board and the OCC, as may be required, (B) the filing of an application for, and the issuance of, a permit as contemplated by Section 6.15 herein, (C) filings of applications and notices with certain states and the receipt of all necessary state securities and "Blue Sky" permits or approvals, and (D) the filing of the agreement of merger with the California Secretary of State with respect to the Merger and the filing of the Bank Merger agreement with the California Secretary of State and the DBO with respect to the Bank Merger.

(g) No Conflict. The execution and delivery by each of FULB and UBB of this Agreement and the consummation of the transactions provided for in this Agreement (i) do not violate any provision of the FULB Articles, the UBB Charter, the FULB Bylaws, the UBB Bylaws any provision of applicable federal or state law or any governmental rule or regulation (assuming receipt of the required approval of any Governmental Authority and receipt of the Requisite Shareholder Approval), and (i) except as set forth in Schedule 5.2(g) of the Disclosure Schedule, do not require any consent of any person under, conflict with or result in a breach of, or accelerate the performance required by any of the terms of, any material debt instrument, lease, license, covenant, agreement or understanding to which FULB, or any of its subsidiaries is a party or by which any of them is bound, or any order, ruling, decree, judgment, arbitration award or stipulation to which FULB or UBB, or any of their subsidiaries is subject, or constitute a default thereunder or result in the creation of any lien, claim, security interest, encumbrance, charge, restriction or right of any third party of any kind whatsoever upon any of the properties or assets of FULB, UBB, or any of their subsidiaries.

(h) Financial Statements; Material Adverse Effect.

(i) FULB has previously made available to BAY accurate and complete copies of the FULB Financial Statements. The FULB Financial Statements as of and for the fiscal years ended September 30, 2015 and 2014 are accompanied by the audit report of Crowe Horwath, LLP. The FULB Financial Statements fairly present in all material respects, the financial condition of FULB as of the respective dates set forth therein, and the consolidated results of operations, changes in shareholders' equity and cash flows (if applicable) of FULB for the respective periods or as of the respective dates set forth therein.

(ii) The FULB Financial Statements have been, and are being, prepared in accordance with GAAP consistently applied during the periods involved, except as stated therein.

(iii) Since October 1, 2015, neither FULB nor UBB has incurred any liability other than in the ordinary course of business consistent with past practice, except (i) as Previously Disclosed, (ii) liabilities properly accrued or reserved against in the consolidated balance sheet of FULB as of October 1, 2015, (iii) liabilities and obligations incurred since October 1, 2015 in the ordinary course of business consistent with past practice, (iv) liabilities and obligations that are not material to FULB and UBB, taken as a whole, and (v) any liabilities and obligations incurred with respect to the transactions contemplated by this Agreement.

(iv) Except as Previously Disclosed, since October 1, 2015, (A) each of FULB and UBB has conducted its business in the ordinary and usual course consistent with past practice, and (B) no event has occurred or circumstance arisen that, individually or taken together with all other facts, circumstances and events (described in any paragraph of this Section 5.2 or otherwise), has had or is reasonably likely to have a Material Adverse Effect with respect to FULB and UBB.

(v) No agreement pursuant to which any loans or other assets have been or shall be sold by FULB or UBB entitled the buyer of such loans or other assets to cause FULB or UBB to repurchase such loan or other asset or the buyer to pursue any other form of recourse against FULB or UBB. All cash, stock or other dividends or any other distribution with respect to the capital stock of FULB or UBB that has been declared, set aside or paid since October 1, 2015 has been Previously Disclosed. Since October 1, 2015, no shares of capital stock of FULB or UBB have been purchased, redeemed or otherwise acquired, directly or indirectly, by FULB or UBB and no agreements have been made by FULB or UBB to do any of the foregoing.

(i) Legal Proceedings. Except as set forth in Schedule 5.2(i) of the Disclosure Schedule, no litigation, arbitration, claim or other proceeding before any court or governmental agency is pending against FULB or UBB, individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect with respect to FULB or UBB, and, to the knowledge of FULB and UBB, no such litigation, arbitration, claim or other proceeding has been threatened and there are no facts which could reasonably give rise

to such litigation, arbitration, claim or other proceeding. None of FULB, UBB, nor any of their respective properties owned by FULB or UBB, is a party to or subject to any order, judgment, decree or regulatory restriction that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect with respect to FULB or UBB.

(j) Regulatory Matters.

(i) Each of FULB and UBB has duly filed with the appropriate Governmental Authorities in substantially the correct form the monthly, quarterly and annual reports required to be filed by it under applicable laws and regulations, and such reports were in all material respects complete and accurate and in compliance with the requirements of applicable laws and regulations, and FULB and UBB have previously made available to BAY accurate and complete copies of all such reports. Except as Previously Disclosed, in connection with the most recent examinations of FULB and UBB by the appropriate Governmental Authorities, neither FULB nor UBB was required to correct or change any action, procedure or proceeding which either FULB or UBB believes in good faith has not been now corrected or changed, other than corrections or changes which, if not made, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on FULB or UBB.

(ii) None of FULB, UBB or any of their respective properties is a party to or is subject to any order, decree, directive, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, nor, except in the normal course of business, has either FULB or UBB adopted any policies, procedures or board resolutions at the request or suggestion of, any Governmental Authority. Each of FULB and UBB has paid all assessments made or imposed by any Governmental Authority.

(iii) Except as Previously Disclosed, no Governmental Authority has initiated since December 31, 2014 or has pending any proceeding, enforcement action or, to the knowledge of FULB or UBB, investigation or inquiry into the business, operations, policies, practices or disclosures of FULB or UBB (other than normal examinations conducted by a Governmental Authority in the ordinary course of the business of FULB or UBB), or, to the knowledge of FULB or UBB, threatened any of the foregoing.

(iv) FULB and UBB are “well-capitalized” as defined by applicable laws and regulations. The most recent regulatory rating given to UBB as to compliance with the Community Reinvestment Act is “Satisfactory” or better. Since the last regulatory examination of UBB with respect to Community Reinvestment Act compliance, UBB has not received any complaints as to Community Reinvestment Act compliance, and no proceedings are pending, nor to the knowledge of UBB, threatened with respect to any violations of consumer fair lending laws or regulations.

(k) Compliance With Laws. Except as Previously Disclosed, each of FULB and UBB:

(i) is and at all times since December 31, 2014 has been in material compliance with all applicable federal, state, local and foreign statutes, laws, codes, regulations, ordinances, rules, judgments, injunctions, orders, decrees or policies and/or guidelines of any Governmental Authority applicable thereto or to the employees conducting such businesses, including, without limitation, Sections 23A and 23B of the Federal Reserve Act and regulations pursuant thereto, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Bank Secrecy Act, the USA PATRIOT Act, all other applicable fair lending laws and other laws relating to discriminatory business practices;

(ii) has and at all times since December 31, 2014 has had all permits, licenses, franchises, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities (and has paid all fees and assessments due and payable in connection therewith) that are required in order to permit it to own or lease its properties and to conduct its business as presently conducted, except where the failure to do so would not have a Material Adverse Effect; and all such permits, licenses, franchises, certificates of authority, orders and approvals are in full force and effect and, to the knowledge of FULB and UBB, no suspension or cancellation of any of them is pending or threatened;

(iii) has received, since December 31, 2014, no notification or communication from any Governmental Authority (A) asserting that FULB or UBB is not in compliance with any of the statutes, regulations or ordinances which such Governmental Authority enforces or (B) threatening to revoke any license, franchise, permit or governmental authorization (nor, to the knowledge of FULB or UBB, do any grounds for any of the foregoing exist); and

(iv) has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of its financial statements, has designed disclosure controls and procedures to ensure that material information is made known to the management of FULB and UBB on no less than a quarterly basis, and has disclosed, based on its most recent evaluation prior to the date hereof, to its auditors (A) any significant deficiencies in the design or operation of internal controls which could adversely affect in any material respect its ability to record, process, summarize and report financial data and has identified for its auditors any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal controls.

(l) Material Contracts; Defaults.

(i) Except as Previously Disclosed, neither FULB nor UBB is a party to, bound by or subject to any agreement, contract, arrangement, commitment

or understanding (whether written or oral) (A) with respect to the employment of any of its directors, officers, employees or consultants, (B) which would entitle any present or former director, officer, employee or agent of either FULB or UBB to indemnification from FULB or UBB, (C) which is an agreement (including data processing, software programming, consulting and licensing contracts) not terminable on 60 days or less notice and involving the payment or value of more than \$50,000 per annum, (D) which is with or to a labor union or guild (including any collective bargaining agreement), (E) which relates to the incurrence of indebtedness (other than deposit liabilities, advances and loans from the FHLB, and sales of securities subject to repurchase, or similar obligation, in each case, in the ordinary course of business), (F) which grants any Person a right of first refusal, right of first offer or similar right with respect to any material properties, rights, assets or business of FULB or UBB, (G) which involves the purchase or sale of assets with a purchase price of \$50,000 or more in any single case or \$50,000 in all such cases, other than purchases and sales of investment securities and loans in the ordinary course of business consistent with past practice, (H) which is a consulting agreement, license or service contract (including data processing, software programming and licensing contracts and outsourcing contracts) which involves the payment of \$50,000 or more in annual fees, (I) which provides for the payment by FULB or UBB of payments upon a change of control thereof, (J) which is a lease for any real or material personal property owned or presently used by FULB or UBB, (K) which materially restricts the conduct of any business by FULB or UBB or limits the freedom of FULB or UBB to engage in any line of business in any geographic area (or would so restrict FULB or UBB after consummation of the transactions contemplated hereby) or which requires exclusive referrals of business or requires FULB or UBB to offer specified products or services to their customers or depositors on a priority or exclusive basis, (L) which is with respect to, or otherwise commits FULB or UBB to do, any of the foregoing, or (M) which is a material contract (as defined in Item 601(b)(10) of Regulation S-K of the SEC) (all of the foregoing collectively, "FULB Material Contracts").

(ii) To the knowledge of FULB and UBB, each FULB Material Contract is valid and binding on FULB and/or UBB and is in full force and effect (other than due to the ordinary expiration thereof) and is valid and binding on the other parties thereto. None of FULB, UBB or, to the knowledge of FULB and/or UBB, any other parties thereto, is in material default under any FULB Material Contract and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by FULB or UBB is currently outstanding.

(iii) All outstanding loans from FULB or UBB to its officers and directors have been Previously Disclosed, and except as Previously Disclosed, there has been no default on, or forgiveness or waiver of, in whole or in part, any such loan during the two years immediately preceding the date hereof.

(m) No Brokers. Other than for financial advisory services performed for FULB by FIG Partners pursuant to an agreement dated November 4, 2016 and provided to BAY, no action has been taken by FULB or UBB that would give rise to any valid claim against any party hereto for a brokerage commission, finder's fee or other like payment

with respect to the transactions contemplated hereby. The board of directors of FULB has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of FIG Partners, to the effect that, as of the date of such opinion, and based upon and subject to the factors, assumptions, and limitations set forth therein, the Per Share Merger Consideration to be received by the holders of FULB common stock in the Merger is fair, from a financial point of view, to such holders.

(n) Employee Benefit Plans.

(i) Schedule 5.2(n)(i) lists all benefit and compensation plans, contracts, policies or arrangements covering current or former employees of FULB and/or UBB and current or former directors or independent contractors of FULB and/or UBB, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of ERISA, and severance, employment, change in control, fringe benefit, deferred compensation, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans, agreements, programs, policies or other arrangements (the "FULB Benefit Plans"). FULB and UBB have previously made available to BAY true and complete copies of (A) all FULB Benefit Plans including, but not limited to, any trust instruments and insurance contracts forming a part of any FULB Benefit Plans and all amendments thereto; (B) the most recent annual report (Form 5500), together with all schedules, as required, filed with the Internal Revenue Service ("IRS") or Department of Labor (the "DOL"), as applicable, and any financial statements and opinions required by Sections 103(a)(3) and 103(e) of ERISA with respect to each FULB Benefit Plan; (C) for each FULB Benefit Plan which is a "top-hat" plan, a copy of filings with the DOL; (D) the most recent determination letter issued by the IRS (or, in the case of an FULB Benefit Plan maintained pursuant to the adoption of a prototype or volume submitter document a copy of an opinion or notification letter issued by the IRS to the sponsor of the prototype or volume submitter document upon which FULB is entitled to rely stating that the form of the prototype or volume submitter plan document is acceptable for the establishment of a qualified retirement plan), for each FULB Benefit Plan that is intended to be "qualified" under Section 401(a) of the Code; (E) the most recent summary plan description and any summary of material modifications, as required, for each FULB Benefit Plan; (F) the most recent actuarial report, if any relating to each FULB Benefit Plan; (G) the most recent actuarial valuation, study or estimate of any retiree medical and life insurance benefits plan or supplemental retirement benefits plan; and (H) the most recent summary annual report for each FULB Benefit Plan required to provide summary annual reports by Section 104 of ERISA.

(ii) Each FULB Benefit Plan has been established and administered to date in all material respects in accordance with the applicable provisions of ERISA, the Code and applicable law and with the terms and provisions of all documents, contracts or agreements pursuant to which such FULB Benefit Plan is maintained. Each FULB Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (a "Pension Plan") and which is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the IRS, and FULB is not aware of any circumstances likely to result in revocation of any such favorable determination letter or the loss of the qualification of such Pension Plan under Section 401(a)

of the Code. Neither FULB nor UBB has received any correspondence or written or verbal notice from the IRS, DOL, any other governmental agency, any participant in or beneficiary of, an FULB Benefit Plan, or any agent representing any of the foregoing that brings into question the qualification of any such FULB Benefit Plan. There is no material pending or, to either FULB's or UBB's knowledge, threatened litigation relating to the FULB Benefit Plans. Neither FULB nor UBB has engaged in a transaction with respect to any FULB Benefit Plan or Pension Plan that could subject it to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would be material. There are no matters pending before the IRS, DOL or other governmental agency with respect to any FULB Benefit Plan. No FULB Benefit Plan or related trust has been the subject of an audit, investigation or examination by a Governmental Authority.

(iii) No liability under Title IV of ERISA has been or is expected to be incurred by either FULB or UBB with respect to any ongoing, frozen or terminated "single-employer plan," within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them or the single-employer plan of any entity which is considered one employer with FULB under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"). Neither FULB nor UBB has incurred, and does not expect to incur, any withdrawal liability with respect to a multiemployer plan (as defined in 4001(a)(3) of ERISA) under of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate). No notice of a "reportable event," within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Pension Plan or by any ERISA Affiliate or will be required to be filed in connection with the transactions contemplated hereby. There has been no termination or partial termination, as defined in Section 411(d) of the Code and the regulations thereunder, of any Pension Plan.

(iv) All contributions required to be made under the terms of any FULB Benefit Plan have been timely made. Neither any Pension Plan nor any single-employer plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate has an outstanding funding waiver. Neither FULB nor UBB has provided, nor is required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(v) Except as set forth on Schedule 5.2(n)(v) of the Disclosure Schedule, neither FULB nor UBB has any obligations for retiree health and life benefits under any FULB Benefit Plan, other than coverage as may be required under Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA, or under the continuation of coverage provisions of the laws of any state or locality. FULB may amend or terminate any such FULB Benefit Plan in accordance with and to the extent permitted by their terms at any time without incurring any liability thereunder. No event or condition exists with respect to an FULB Benefit Plan that could subject either FULB or UBB to a material tax under Section 4980B of the Code.

(vi) Except as set forth on Schedule 5.2(n)(vi) of the Disclosure Schedule, neither the execution of this Agreement nor consummation of the transactions contemplated hereby, either alone or in connection with a subsequent event, (A) entitle any employees or any current or former director or independent contractor of FULB or UBB to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (B) accelerate the time of payment or vesting or trigger any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the FULB Benefit Plans, (C) result in any breach or violation of, or a default under, any of the FULB Benefit Plans, (D) result in any payment that would be a “parachute payment” to a “disqualified individual” as those terms are defined in Section 280G of the Code, without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future or (E) result in any payment or portion of any payment that would not be deductible by FULB under Section 162(m) of the Code when paid.

(vii) All required reports and descriptions (including but not limited to Form 5500 annual reports and required attachments, Forms 1099-R, summary annual reports, Forms PBGC-1 and summary plan descriptions) have been filed or distributed appropriately with respect to each Benefit Plan. All required tax filings with respect to each Benefit Plan have been made, and any taxes due in connection with such filings have been paid.

(viii) No FULB Benefit Plan is or has been funded by, associated with, or related to a “voluntary employee’s beneficiary association” within the meaning of Section 501(c)(9) of the Code, a “welfare benefit fund” within the meaning of Section 419 of the Code, a “qualified asset account” within the meaning of Section 419A of the Code or a “multiple employer welfare arrangement” within the meaning of Section 3(40) of ERISA.

(ix) Each FULB Benefit Plan which is a “nonqualified deferred compensation plan” (within the meaning of Section 409A of the Code) has been operated in compliance with Section 409A of the Code and the guidance issued by the IRS with respect to such plans.

(o) Labor Matters. Except as set forth on Schedule 5.2(o), neither FULB nor UBB is a party to and is not bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is either FULB or UBB the subject of a proceeding asserting that it has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel either FULB or UBB to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving it pending or, to either FULB’s or UBB’s knowledge, threatened, nor, to either FULB’s or UBB’s knowledge, are any employees of FULB or UBB seeking to certify a collective bargaining unit or engaging in other organizational activity. Since January 1, 2015, FULB and UBB have paid in full all wages, salaries, commissions, bonuses, benefits and other compensation due to its employees or otherwise arising under any policy, practice, agreement, plan, program, statute or other law.

(p) Environmental Matters. To the knowledge of FULB and UBB, there are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations, remediation activities or governmental investigations of any nature seeking to impose on FULB or UBB any liability or obligation arising under any Environmental Laws pending or threatened against FULB or UBB, which liability or obligation could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on FULB or UBB. To the knowledge of FULB and UBB, there is no reasonable basis for any such proceeding, claim, action, environmental remediation or investigation that could impose any liability or obligation that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on FULB or UBB. To the knowledge of FULB and UBB, each of FULB and UBB is in compliance in all material respects with applicable Environmental Laws. To the knowledge of FULB and UBB, no real property (including buildings or other structures) currently or formerly owned or operated by FULB or UBB, or any property in which FULB or UBB has held a security interest, Lien or a fiduciary or management role ("UBB Loan Property"), has been contaminated with, or has had any release of, any Hazardous Substance that has resulted, or could reasonably be expected to result, in a Material Adverse Effect with respect to FULB or UBB. Neither FULB nor UBB could be deemed the owner or operator of, nor has either participated in the management regarding Hazardous Substances of, any UBB Loan Property or any property of UBB which has been contaminated with, or has had any release of, any Hazardous Substance that has resulted, or would reasonably be expected to result, in a Material Adverse Effect with respect to FULB or UBB. To the knowledge of UBB, UBB does not have any liability for any Hazardous Substance disposal or contamination on any third party property. To the knowledge of FULB and UBB, none of FULB, UBB, or any Person whose liability UBB has assumed whether contractually or by operation of law, has received any notice, demand letter, claim or request for information alleging any material violation of, or material liability under, any Environmental Law. Neither FULB nor UBB is subject to any order, decree, injunction or other agreement with any Governmental Authority or any third party relating to any Environmental Law. To the knowledge of FULB and UBB, there are no circumstances or conditions (including the presence of asbestos, underground storage tanks, lead products, polychlorinated biphenyls, prior manufacturing operations, dry-cleaning, or automotive services) involving FULB, UBB, any currently or formerly owned or operated property, any UBB Loan Property, or, to FULB's and UBB's knowledge, any Person whose liability FULB or UBB has assumed whether contractually or by operation of law, that could reasonably be expected to result in any material claims, liability or investigations against FULB or UBB, result in any material restrictions on the ownership, use, or transfer of any property pursuant to any Environmental Law, or adversely affect the value of any UBB Loan Property or property of FULB or UBB. Each of FULB and UBB has made available to BAY true and correct copies of all environmental reports or studies, sampling data, correspondence and filings in its possession or reasonably available to it relating to FULB or UBB and any currently or formerly owned or operated property.

(q) Tax Matters.

(i) Each of FULB and UBB has timely filed all Tax Returns required to have been filed, taking into account any properly granted extensions of

time to file, with the appropriate taxing authorities, such Tax Returns are true, correct and complete in all material respects and none of such Tax Returns has been amended.

(ii) All material Taxes required to be paid or remitted by FULB or UBB on or before the date hereof have been so paid or remitted, including all Taxes shown as due and owing on all Tax Returns, all Taxes assessed or reassessed by any Governmental Authority, all Taxes held in trust or deemed to be held in trust for a Governmental Authority and all installments on account of Taxes for the current year or, where payment is not yet due, sufficiently reserved in the FULB Financial Statements in accordance with GAAP.

(iii) Each of FULB and UBB and its respective officers, directors or any employee responsible for Tax matters have complied in all material respects with all rules and regulations relating to the withholding of Taxes and the remittance of withheld Taxes in connection with any amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party.

(iv) Each of FULB and UBB has not waived any statute of limitations in respect of its Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(v) To each of FULB's and UBB's knowledge, neither has engaged in any transaction that would constitute a "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b).

(vi) The unpaid Taxes of FULB and UBB (A) do not exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect temporary difference between book and Tax income) as shown on FULB's balance sheet dated September 30, 2016 and (B) will not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of FULB and UBB in filing their Tax Returns.

(vii) Neither FULB nor UBB is currently the beneficiary of any extension of time within which to file any Tax Returns.

(viii) There are no liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of FULB or UBB.

(ix) No Tax actions by any Governmental Authority are pending or being conducted with respect to FULB or UBB.

(x) Neither FULB nor UBB has received from any taxing authority (including jurisdictions in which neither FULB nor UBB has filed Tax Returns) any (A) notice indicating an intent to open an audit or other review, (B) request for information related to Tax matters or (C) notice of deficiency or proposed adjustment for any amount of Tax, proposed, asserted or assessed by any Governmental Authority against FULB or UBB.

(xi) Except as Previously Disclosed, neither FULB nor UBB is a party to or bound by any tax sharing agreement.

(xii) Except as Previously Disclosed and except for the affiliated group of which FULB is parent, neither FULB nor UBB has ever been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns.

(xiii) Neither FULB nor UBB is currently liable, nor does FULB or UBB have any potential liability, for the Taxes of another Person (A) under Treasury Regulations Section 1.1502-6 (or comparable provision of state, local or foreign law), (B) as transferee or successor, or (C) by contract or indemnity or otherwise.

(xiv) Neither FULB nor UBB has ever been either a "distributing corporation" or a "controlled corporation" in connection with a distribution of stock qualifying for tax-free treatment, in whole or in part, under Section 355 of the Code.

(xv) Neither FULB nor UBB has been nor will be a "United States real property holding corporation" within the meaning of Section 897 of the Code during the five year period ending on the Closing Date.

(xvi) Neither FULB or UBB will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date, as a result of any: (A) change in method of accounting for a taxable period ending on or prior to the Closing Date under Section 481 of the Code or similar state and local Tax law, (B) any "closing agreement" as described in Section 7121 of the Code or similar state or local Tax law executed on or prior to the Closing Date, (C) installment sale or open transaction disposition made on or prior to the Closing Date, (D) prepaid amount received on or prior to the Closing Date, (E) any item having been reported on the completed contract method of accounting or the percentage of completion method of accounting, or (F) other action taken prior to the Closing Date.

(r) Risk Management Instruments. Except as Previously Disclosed, neither FULB nor UBB is a party to, nor has it agreed to enter into, a Derivatives Contract.

(s) Loans; Nonperforming and Classified Assets.

(i) Except as Previously Disclosed, each Loan on the books and records of UBB was made and has been serviced in all material respects in accordance with its customary lending standards in the ordinary course of business, is evidenced in all material respects by appropriate and sufficient documentation and, to the knowledge of FULB and UBB, constitutes the legal, valid and binding obligation of the obligor named therein, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditor's rights or by general equity principles.

(ii) UBB has Previously Disclosed as of the latest practicable date prior to the date of this Agreement: (A) any Loan under the terms of which the obligor is [60] or more days delinquent in payment of principal or interest, or to the knowledge of UBB, in default of any other material provision thereof; (B) each Loan which has been classified as "substandard," "doubtful," "loss" or "special mention" (or words of similar import) by UBB, or an applicable regulatory authority; (C) a listing of the OREO acquired by foreclosure or by deed-in-lieu thereof, including the book value thereof; and (D) each Loan with any director or executive officer of UBB or an Affiliate of UBB.

(iii) UBB has Previously Disclosed a list and description of all loan participations entered into between UBB and any third party which are reflected on the books and records of UBB. A true and complete copy of each document relating to each loan participation has been made available to BAY, with the exception of loan files for loans guaranteed or unguaranteed by the SBA or another Governmental Authority and sold in the ordinary course of business.

(t) Properties. All real property owned or leased by FULB or UBB has been Previously Disclosed. With respect to such real property that is owned by FULB or UBB, FULB or UBB, as applicable, has good and marketable and insurable title, free and clear of all Liens, leases or other imperfections of title or survey, except (i) Liens for current taxes and assessments not yet due and payable and for which adequate reserves have been established, (ii) Liens set forth in policies for title insurance of such properties delivered to BAY, (iii) survey imperfections set forth in surveys of such properties delivered to BAY or (iv) as Previously Disclosed. With respect to such real property that is leased by either FULB or UBB, FULB or UBB has a good and marketable leasehold estate in and to such property (except for the matters described in clauses (i)-(iv) hereof). Except as set forth on Schedule 5.2(t) of the Disclosure Schedule: each of FULB and UBB has delivered true, correct and complete copies of such lease(s), together with all amendments thereto, to BAY; any such lease is in full force and effect and will not lapse or terminate prior to the Closing Date. To the knowledge of FULB and UBB, none of FULB, UBB and the landlord thereunder is in default of any of their respective obligations under any such lease and any such lease constitutes the valid and enforceable obligations of the parties thereto; other than as set forth on Schedule 5.2(t), the transactions contemplated hereby will not require the consent of any landlord under any such lease; and, with respect to any mortgage, deed of trust or other security instrument which establishes a Lien on the fee interest in any real property subject to any such lease, FULB or UBB has the benefit of a non-disturbance agreement from the holder or beneficiary of such mortgage, deed of trust or other security instrument that provides that FULB's and/or UBB's use and enjoyment of the real property subject to such lease will not be disturbed as a result of the landlord's default under any such mortgage, deed of trust or other security instrument, provided neither FULB nor UBB is in default of any of its obligations pursuant to any such lease beyond the expiration of any notice and cure periods. All real and personal property owned by either FULB or UBB or presently used by either FULB or UBB in its business is in good condition (ordinary wear and tear excepted) and is sufficient to carry on its business in the ordinary course of business consistent with its past practices. FULB and UBB have good and marketable and insurable title, free and clear of all Liens to all of its respective material properties and assets, other than real property, except (i) pledges to secure deposits

incurred in the ordinary course of its banking business consistent with past practice, (ii) such imperfections of title and encumbrances, if any, as are not material in character, amount or extent and (iii) as Previously Disclosed. All personal property which is material to FULB's and UBB's business and leased or licensed by FULB and/or UBB is held pursuant to leases or licenses which are valid and enforceable in accordance with their respective terms and such leases will not terminate or lapse prior to the Effective Time.

(u) Intellectual Property. Except as Previously Disclosed, FULB and UBB own or possess valid and binding licenses and other rights to use without payment of any material amount all material patents, copyrights, trade secrets, trade names, service marks, trademarks and other intellectual property rights used in their respective businesses, free and clear of any material Liens, all of which have been Previously Disclosed by FULB and UBB, and neither FULB nor UBB has received any notice of conflict or allegation of invalidity with respect thereto or that asserts the intellectual property rights of others. To the knowledge of FULB and UBB, the operation of the businesses of FULB and UBB does not infringe or violate the intellectual property of any third party. FULB and UBB have performed in all material respects all the obligations required to be performed by them and are not in default under any contract, agreement, arrangement or commitment relating to any of the foregoing.

(v) Fiduciary Accounts. Each of FULB and UBB has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws, regulations and common laws. To the knowledge of FULB and UBB, neither FULB, UBB nor any of its respective directors, officers or employees, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(w) Books and Records. The books, records, systems, data and information of FULB and UBB (i) have been fully, properly and accurately maintained in material compliance with applicable legal and accounting requirements, and such books and records accurately reflect in all material respects all dealings and transactions in respect of FULB and UBB and (ii) are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of FULB and UBB (including all means of access thereto and therefrom).

(x) Insurance. FULB and UBB have Previously Disclosed all of the material insurance policies, binders, or bonds currently maintained by FULB and/or UBB. Each of FULB and UBB is insured with reputable insurers against such risks and in such amounts as the management of FULB and UBB have reasonably determined to be prudent in accordance with industry practices; all of the material insurance policies, binders, or bonds currently maintained by FULB and UBB are in full force and effect; neither FULB nor UBB is in material default thereunder; and all claims thereunder have been filed in due and timely fashion.

(y) Allowance For Loan Losses. UBB's allowance for loan losses is in compliance with UBB's existing methodology for determining the adequacy of its allowance for loan losses as well as the standards established by GAAP, the Financial Accounting Standards Board and applicable bank regulatory agencies and is adequate under all such standards.

(z) Transactions With Affiliates. Except as set forth on Schedule 5.2(z), there are no existing or pending transactions, nor are there any agreements or understandings, with any shareholders, directors, officers or employees of FULB or UBB, or any Affiliate of FULB or UBB, relating to, arising from or affecting FULB or UBB, including without limitation, any transactions, arrangements or understandings relating to the purchase or sale of goods or services, the lending of monies or the sale, lease or use of any assets of FULB or UBB, with or without adequate compensation, in any amount whatsoever.

(aa) Material Facts. The representations and warranties contained in this Section 5.2, when considered as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 5.2 not misleading.

5.3 Representations and Warranties of BAY. BAY represents and warrants to FULB and UBB that, except as previously disclosed:

(a) Organization, Standing and Authority. BAY is a bank duly organized and validly existing under the laws of the State of California that is duly authorized by the DBO to conduct business as a commercial bank. BAY is duly licensed or qualified to do business and is in good standing in each jurisdiction where its ownership or leasing of property or assets or the conduct of its business requires it to be so licensed or qualified, except where failure to be so licensed or qualified would not materially impair the ability of BAY to perform its obligations under this Agreement or otherwise materially impede the consummation of the transactions contemplated hereby. BAY has in effect all federal, state, local and foreign governmental authorizations necessary for it to own or lease its properties and assets and to carry on its business as it is now conducted, except where the failure to be so authorized would not materially impair the ability of BAY to perform its obligations under this Agreement or otherwise materially impede the consummation of the transactions contemplated hereby. The deposit accounts of BAY are insured by the FDIC, in the manner and to the maximum extent provided by applicable law, and BAY has paid all deposit insurance premiums and assessments required by applicable laws and regulations. BHC is a corporation duly organized and validly existing under the laws of the State of California and will be duly registered as a bank holding company under the BHCA. The copies of the BAY Articles, BHC Articles, BAY Bylaws and BHC Bylaws, and the other governing documents of BAY and BHC which have been previously made available to FULB are true, complete and correct copies of such documents as in effect on the date of this Agreement. The minute books of BAY contain true, complete and correct records in all material respects of all meetings and other material corporate actions held or taken by its board of directors (including committees of its board of directors), as well as the shareholders of BAY through the date hereof.

(b) Capital Structure.

(i) The authorized capital stock of BAY consists of (i) 100,000,000 shares of BAY Common Stock, of which 5,472,426 shares are issued and outstanding, and (ii) 10,000,000 shares of preferred stock, of which no shares are issued and outstanding. BAY does not have any other shares of capital stock authorized, designated, issued or outstanding. Following the bank holding company reorganization, BHC will be the record holder of all of the issued and outstanding shares of BAY Common Stock. All outstanding shares of BAY's capital stock (i) have been duly authorized and validly issued and are fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the BAY Articles, the BAY Bylaws or any agreement to which BAY is a party, and (ii) have been offered, sold, issued and delivered by BAY in all material respects in compliance with all applicable laws. There are no declared or accrued but unpaid dividends with respect to any shares of BAY capital stock.

(ii) The authorized capital stock of BHC consists of (i) 100,000,000 shares of BHC Common Stock, of which 100 shares will be issued and outstanding following the bank holding company reorganization, and (ii) 10,000,000 shares of preferred stock, of which no shares are issued and outstanding as of the date hereof. BHC does not have any other shares of capital stock authorized, designated, issued or outstanding. All outstanding shares of BHC's capital stock (i) will be duly authorized and validly issued and will be fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the BHC Articles, the BHC Bylaws or any agreement to which BHC is a party, and (ii) will be offered, sold, issued and delivered by BHC in all material respects in compliance with all applicable laws. There are no declared or accrued but unpaid dividends with respect to any shares of BHC capital stock.

(iii) Other than the BAY Equity Incentive Plan, neither BAY nor BHC has adopted, sponsored or maintained any stock option plan or any other plan or agreement providing for equity compensation to any Person.

(iv) Schedule 5.3(b)(iv) of the Disclosure Schedule lists each restricted stock grant and the terms thereof outstanding under the BAY Equity Incentive Plan. Other than such grants, there are no Rights or agreements obligating BAY to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any BAY capital stock or any capital stock or equity or other ownership interest of BAY or obligating BAY to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such Right. Other than the restricted stock grants, there are no outstanding or authorized stock option, stock appreciation, phantom stock, profit participation, or other similar rights with respect to BAY.

(v) There are no Rights or agreements obligating BAY to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any BAY capital stock or any capital stock or equity or other ownership interest of BAY or obligating BAY to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such Right.

(c) Subsidiaries. Following the bank holding company reorganization, BHC will own all of the issued and outstanding shares of BAY and will not own, beneficially, directly or indirectly, any other Equity Securities or similar interests of any Person or any interest in a partnership or joint venture of any kind. BAY does not own, beneficially, directly or indirectly, any Equity Securities or similar interests of any Person or any interest in a partnership or joint venture of any kind.

(d) Corporate Power. BAY has the corporate power and authority to carry on its business as it is now being conducted and to own all its properties and assets; BAY has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby, in each case, subject to receipt of all necessary approvals of Governmental Authorities.

(e) Corporate Authority.

(i) Subject to the receipt of the Requisite Shareholder Approval, this Agreement and the transactions contemplated hereby have been authorized by all necessary corporate action of BAY on or prior to the date hereof and will remain in full force and effect through the Closing. No other corporate or shareholder action is necessary or required to authorize and approve this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of BAY and BHC and, assuming due authorization, execution and delivery by FULB and UBB, this Agreement is a valid and legally binding agreement of each of BAY and BHC, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles).

(ii) The BAY Board and BHC Board, by a unanimous vote thereof, have adopted resolutions (1) determining that this Agreement and the transactions contemplated herein, including the Merger, are fair to, and in the best interests of, BAY, BHC and their respective shareholders, (2) approving and declaring advisable this Agreement and the transactions contemplated hereby and (3) recommending that BAY's shareholders approve and adopt this Agreement.

(f) Regulatory Approvals. No consents or approvals of, or waivers by, or filings or registrations with, any Governmental Authority or with any third party are required to be made or obtained by BAY, BHC or any of their Affiliates in connection with the execution, delivery or performance by BAY and BHC of this Agreement or to consummate the transactions contemplated hereby, except for (A) filings of applications or notices with, and approvals or waivers by the DBO, the Federal Reserve Board and the OCC, as may be required, (B) the filing of an application for, and the issuance of, a permit as contemplated by Section 6.15 herein, (C) filings of applications and notices with certain states and the receipt of all necessary state securities and "Blue Sky" permits or approvals, and (D) the filing of the agreement of merger with the California Secretary of State with respect to the Merger and the filing of the Bank Merger agreement with the California Secretary of State and the DBO with respect to the Bank Merger.

(g) No Conflict. The execution and delivery by each of BAY and BHC of this Agreement and the consummation of the transactions provided for in this Agreement (i) do not violate any provision of the BAY Articles, BHC Articles, BAY Bylaws, BHC Bylaws, any provision of federal or state law or any governmental rule or regulation (assuming receipt of the required approval of any Governmental Authority and receipt of the Requisite Shareholder Approval) and (ii) except as set forth in Schedule 5.3(g), do not require any consent of any person under, conflict with or result in a breach of, or accelerate the performance required by any of the terms of, any material debt instrument, lease, license, covenant, agreement or understanding to which BAY is a party or by which it is bound, or any order, ruling, decree, judgment, arbitration award or stipulation to which BAY, is subject, or constitute a default thereunder or result in the creation of any lien, claim, security interest, encumbrance, charge, restriction or right of any third party of any kind whatsoever upon any of the properties or assets of BAY.

(h) Financial Statements; Material Adverse Effect.

(i) BAY has previously made available to FULB and UBB accurate and complete copies of the BAY Financial Statements. The BAY Financial Statements as of and for the years ended December 31, 2015 and 2014 are accompanied by the audit report of Moss Adams. LLP, The BAY Financial Statements fairly present in all material respects, the financial condition of BAY as of the respective dates set forth therein, and the results of operations, changes in shareholders' equity and cash flows (if applicable) of BAY for the respective periods or as of the respective dates set forth therein.

(ii) The BAY Financial Statements have been, and are being, prepared in accordance with GAAP consistently applied during the periods involved, except as stated therein. BAY has cash in amount sufficient to pay the aggregate Per Share Cash Consideration.

(iii) Since January 1, 2016, BAY has not incurred any liability other than in the ordinary course of business consistent with past practice, except (i) as Previously Disclosed, (ii) liabilities properly accrued or reserved against in the consolidated balance sheet of BAY as of January 1, 2016, (iii) liabilities and obligations incurred since January 1, 2016 in the ordinary course of business consistent with past practice, (iv) liabilities and obligations that are not material to BAY, and (iv) any liabilities and obligations incurred with respect to the transactions contemplated by this Agreement.

(iv) Since January 1, 2016, (A) BAY has conducted its business in the ordinary and usual course consistent with past practice and (B) no event has occurred or circumstance arisen that, individually or taken together with all other facts, circumstances and events (described in any paragraph of this Section 5.3 or otherwise), has had or is reasonably likely to have a Material Adverse Effect with respect to BAY.

(v) No agreement pursuant to which any loans or other assets have been or shall be sold by BAY entitled the buyer of such loans or other assets to cause BAY to repurchase such loan or other asset or the buyer to pursue any other form of

recourse against BAY. All cash, stock or other dividends or any other distribution with respect to the capital stock of BAY that has been declared, set aside or paid since December 31, 2015 has been Previously Disclosed. Since December 31, 2015, no shares of capital stock of BAY have been purchased, redeemed or otherwise acquired, directly or indirectly, by BAY and no agreements have been made by BAY to do any of the foregoing.

(i) Legal Proceedings. Except as set forth in Schedule 5.3(i) of the Disclosure Schedule, no litigation, arbitration, claim or other proceeding before any court or governmental agency is pending against BAY, individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect with respect to BAY, and, to the knowledge of BAY, no such litigation, arbitration, claim or other proceeding has been threatened and there are no facts which could reasonably give rise to such litigation, arbitration, claim or other proceeding. Neither BAY, nor any of its properties owned by BAY is a party to or subject to any order, judgment, decree or regulatory restriction that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect with respect to BAY.

(j) Regulatory Matters.

(i) BAY has duly filed with the appropriate Governmental Authorities in substantially the correct form the monthly, quarterly and annual reports required to be filed by it under applicable laws and regulations, and such reports were in all material respects complete and accurate and in compliance with the requirements of applicable laws and regulations, and BAY has made available to FULB and UBB accurate and complete copies of all such reports. Except as Previously Disclosed, in connection with the most recent examination of BAY by the appropriate Governmental Authorities, BAY was not required to correct or change any action, procedure or proceeding which BAY believes in good faith has not been now corrected or changed, other than corrections or changes which, if not made, either individually or in the aggregate, would not have a Material Adverse Effect on BAY.

(ii) Neither BAY, nor any of its properties is a party to or is subject to any order, decree, directive, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, nor, except in the normal course of business, has BAY adopted any policies, procedures or board resolutions at the request or suggestion of, any Governmental Authority. BAY has paid all assessments made or imposed by any Governmental Authority.

(iii) Except as Previously Disclosed, no Governmental Authority has initiated since December 31, 2014 or has pending any proceeding, enforcement action or, to the knowledge of BAY, investigation or inquiry into the business, operations, policies, practices or disclosures of BAY (other than normal examinations conducted by a Governmental Authority in the ordinary course of the business of BAY), or, to the knowledge of BAY, threatened any of the foregoing.

(iv) BAY is “well-capitalized” as defined in applicable laws and regulations. The most recent regulatory rating given to BAY as to compliance with the Community Reinvestment Act is “Satisfactory” or better. Since the last regulatory examination of BAY with respect to Community Reinvestment Act compliance, BAY has not received any complaints as to Community Reinvestment Act compliance, and no proceedings are pending, nor to the knowledge of BAY, threatened with respect to any violations of consumer fair lending laws or regulations.

(k) Compliance With Laws. Except as Previously Disclosed, BAY:

(i) is and at all times since December 31, 2014 has been in material compliance with all applicable federal, state, local and foreign statutes, laws, codes, regulations, ordinances, rules, judgments, injunctions, orders, decrees or policies and/or guidelines of any Governmental Authority applicable thereto or to the employees conducting such businesses, including, without limitation, Sections 23A and 23B of the Federal Reserve Act and regulations pursuant thereto, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Bank Secrecy Act, the USA PATRIOT Act, all other applicable fair lending laws and other laws relating to discriminatory business practices;

(ii) has and at all times since December 31, 2014 has had all permits, licenses, franchises, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities (and has paid all fees and assessments due and payable in connection therewith) that are required in order to permit it to own or lease its properties and to conduct its business as presently conducted, except where the failure to do so would not have a Material Adverse Effect; all such permits, licenses, franchises, certificates of authority, orders and approvals are in full force and effect and, to the knowledge of BAY, no suspension or cancellation of any of them is pending or threatened;

(iii) has received, since December 31, 2014, no notification or communication from any Governmental Authority (A) asserting that BAY is not in compliance with any of the statutes, regulations or ordinances which such Governmental Authority enforces or (B) threatening to revoke any license, franchise, permit or governmental authorization (nor, to the knowledge of BAY, do any grounds for any of the foregoing exist); and

(iv) has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of its financial statements, has designed disclosure controls and procedures to ensure that material information is made known to the management of BAY on no less than a quarterly basis, and has disclosed, based on its most recent evaluation prior to the date hereof, to its auditors (A) any significant deficiencies in the design or operation of internal controls which could adversely affect in any material respect its ability to record, process, summarize and report financial data and has identified for its auditors any material weaknesses in internal controls and (B) any fraud, whether or not

material, that involves management or other employees who have a significant role in its internal controls.

(l) Material Contracts; Defaults.

(i) Except as Previously Disclosed, BAY is not a party to, bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral) (A) with respect to the employment of any of its directors, officers, employees or consultants, (B) which would entitle any present or former director, officer, employee or agent of BAY to indemnification from BAY, (C) which is an agreement (including data processing, software programming, consulting and licensing contracts) not terminable on 60 days or less notice and involving the payment or value of more than \$50,000 per annum, (D) which is with or to a labor union or guild (including any collective bargaining agreement), (E) which relates to the incurrence of indebtedness (other than deposit liabilities, advances and loans from the FHLB, and sales of securities subject to repurchase, or similar obligation, in each case, in the ordinary course of business), (F) which grants any Person a right of first refusal, right of first offer or similar right with respect to any material properties, rights, assets or business of BAY, (G) which involves the purchase or sale of assets with a purchase price of \$50,000 or more in any single case or \$50,000 in all such cases, other than purchases and sales of investment securities and loans in the ordinary course of business consistent with past practice, (H) which is a consulting agreement, license or service contract (including data processing, software programming and licensing contracts and outsourcing contracts) which involves the payment of \$50,000 or more in annual fees, (I) which provides for the payment by BAY of payments upon a change of control thereof, (J) which is a lease for any real or material personal property owned or presently used by BAY, (K) which materially restricts the conduct of any business by BAY or limits the freedom of BAY to engage in any line of business in any geographic area (or would so restrict BAY after consummation of the transactions contemplated hereby) or which requires exclusive referrals of business or requires BAY to offer specified products or services to their customers or depositors on a priority or exclusive basis, (L) which is with respect to, or otherwise commits BAY to do, any of the foregoing, or (M) which is a material contract (as defined in Item 601(b)(10) of Regulation S-K of the SEC) (all of the foregoing collectively, "BAY Material Contracts").

(ii) To the knowledge of BAY, each BAY Material Contract is valid and binding on BAY and is in full force and effect (other than due to the ordinary expiration thereof) and is valid and binding on the other parties thereto. None of BAY, or, to the knowledge of BAY, any other parties thereto, is in material default under any BAY Material Contract and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by BAY is currently outstanding.

(iii) All outstanding loans from BAY to its officers and directors have been Previously Disclosed, and except as Previously Disclosed, there has been

no default on, or forgiveness or waiver of, in whole or in part, any such loan during the two years immediately preceding the date hereof.

(m) No Brokers. Other than for financial advisory services performed for BAY by Vining Sparks, LP pursuant to an agreement dated November 2, 2016, as Previously Disclosed, no action has been taken by BAY that would give rise to any valid claim against any party hereto for a brokerage commission, finder's fee or other like payment with respect to the transactions contemplated hereby. The board of directors of BAY has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of Vining Sparks, LP, to the effect that, as of the date of such opinion, and based upon and subject to the factors, assumptions, and limitations set forth therein, the Per Share Merger Consideration is fair, from a financial point of view, to BAY shareholders.

(n) Employee Benefit Plans.

(i) Schedule 5.3(n)(i) lists all benefit and compensation plans, contracts, policies or arrangements covering current or former employees of BAY and current or former directors or independent contractors of BAY, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of ERISA, and severance, employment, change in control, fringe benefit, deferred compensation, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans, agreements, programs, policies or other arrangements (the "BAY Bank Benefit Plans"). BAY has previously made available to FULB and UBB true and complete copies of (A) all BAY Benefit Plans including, but not limited to, any trust instruments and insurance contracts forming a part of any BAY Benefit Plans and all amendments thereto; (B) the most recent annual report (Form 5500), together with all schedules, as required, filed with the IRS or the DOL, as applicable, and any financial statements and opinions required by Sections 103(a)(3) and 103(e) of ERISA with respect to each BAY Benefit Plan; (C) for each BAY Benefit Plan which is a "top-hat" plan, a copy of filings with the DOL; (D) the most recent determination letter issued by the IRS (or, in the case of a BAY Benefit Plan maintained pursuant to the adoption of a prototype or volume submitter document a copy of an opinion or notification letter issued by the IRS to the sponsor of the prototype or volume submitter document upon which BAY is entitled to rely stating that the form of the prototype or volume submitter plan document is acceptable for the establishment of a qualified retirement plan), for each BAY Benefit Plan that is intended to be "qualified" under Section 401(a) of the Code; (E) the most recent summary plan description and any summary of material modifications, as required, for each BAY Benefit Plan; (F) the most recent actuarial report, if any relating to each BAY Benefit Plan; (G) the most recent actuarial valuation, study or estimate of any retiree medical and life insurance benefits plan or supplemental retirement benefits plan; and (H) the most recent summary annual report for each BAY Benefit Plan required to provide summary annual reports by Section 104 of ERISA.

(ii) Each BAY Benefit Plan has been established and administered to date in all material respects in accordance with the applicable provisions of ERISA, the Code and applicable law and with the terms and provisions of all documents,

contracts or agreements pursuant to which such BAY Benefit Plan is maintained. Each BAY Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (a "Pension Plan") and which is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the IRS, and BAY is not aware of any circumstances likely to result in revocation of any such favorable determination letter or the loss of the qualification of such Pension Plan under Section 401(a) of the Code. BAY has not has received any correspondence or written or verbal notice from the IRS, DOL, any other governmental agency, any participant in or beneficiary of, a BAY Benefit Plan, or any agent representing any of the foregoing that brings into question the qualification of any such BAY Benefit Plan. There is no material pending or, to BAY's knowledge, threatened litigation relating to the BAY Benefit Plans. BAY has not engaged in a transaction with respect to any BAY Benefit Plan or Pension Plan that could subject it to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would be material. There are no matters pending before the IRS, DOL or other governmental agency with respect to any BAY Benefit Plan. No BAY Benefit Plan or related trust has been the subject of an audit, investigation or examination by a Governmental Authority.

(iii) No liability under Title IV of ERISA has been or is expected to be incurred by BAY with respect to any ongoing, frozen or terminated "single-employer plan," within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them or the single-employer plan of any entity which is considered one employer with BAY under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"). BAY has not incurred, and does not expect to incur, any withdrawal liability with respect to a multiemployer plan (as defined in 4001(a)(3) of ERISA) under of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate). No notice of a "reportable event," within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Pension Plan or by any ERISA Affiliate or will be required to be filed in connection with the transactions contemplated hereby. There has been no termination or partial termination, as defined in Section 411(d) of the Code and the regulations thereunder, of any Pension Plan.

(iv) All contributions required to be made under the terms of any BAY Benefit Plan have been timely made. Neither any Pension Plan nor any single-employer plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate has an outstanding funding waiver. BAY has not provided, and is not required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(v) Except as set forth on Schedule 5.3(n)(v) of the Disclosure Schedule, BAY does not have any obligations for retiree health and life benefits under any BAY Benefit Plan, other than coverage as may be required under Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA, or under the continuation of coverage provisions of the laws of any state or locality. BAY may amend or terminate any such BAY Benefit Plan in accordance with and to the extent permitted by their terms at any time without incurring any liability thereunder. No event or condition exists with respect to a

BAY Benefit Plan that could subject BAY to a material tax under Section 4980B of the Code.

(vi) Except as set forth on Schedule 5.3(n)(vi) of the Disclosure Schedule, neither the execution of this Agreement nor consummation of the transactions contemplated hereby, either alone or in connection with a subsequent event, (A) entitle any employees or any current or former director or independent contractor of BAY to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (B) accelerate the time of payment or vesting or trigger any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the BAY Benefit Plans, (C) result in any breach or violation of, or a default under, any of the BAY Benefit Plans, (D) result in any payment that would be a “parachute payment” to a “disqualified individual” as those terms are defined in Section 280G of the Code, without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future or (E) result in any payment or portion of any payment that would not be deductible by BAY under Section 162(m) of the Code when paid.

(vii) All required reports and descriptions (including but not limited to Form 5500 annual reports and required attachments, Forms 1099-R, summary annual reports, Forms PBGC-1 and summary plan descriptions) have been filed or distributed appropriately with respect to each Benefit Plan. All required tax filings with respect to each Benefit Plan have been made, and any taxes due in connection with such filings have been paid.

(viii) No BAY Benefit Plan is or has been funded by, associated with, or related to a “voluntary employee’s beneficiary association” within the meaning of Section 501(c)(9) of the Code, a “welfare benefit fund” within the meaning of Section 419 of the Code, a “qualified asset account” within the meaning of Section 419A of the Code or a “multiple employer welfare arrangement” within the meaning of Section 3(40) of ERISA.

(ix) Each BAY Benefit Plan which is a “nonqualified deferred compensation plan” (within the meaning of Section 409A of the Code) has been operated in compliance with Section 409A of the Code and the guidance issued by the IRS with respect to such plans.

(o) Labor Matters. BAY is not a party to and is not bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is BAY the subject of a proceeding asserting that it has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel BAY to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving it pending or, to BAY’s knowledge, threatened, nor, to BAY’s knowledge, are any employees of BAY seeking to certify a collective bargaining unit or engaging in other organizational activity. Since January 1, 2015, BAY has paid in full all wages, salaries, commissions, bonuses, benefits and other

compensation due to its employees or otherwise arising under any policy, practice, agreement, plan, program, statute or other law.

(p) Environmental Matters. To the knowledge of BAY, there are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations, remediation activities or governmental investigations of any nature seeking to impose on BAY any liability or obligation arising under any Environmental Laws pending or threatened against BAY, which liability or obligation could have, individually or in the aggregate, a Material Adverse Effect on BAY. To the knowledge of BAY, there is no reasonable basis for any such proceeding, claim, action, environmental remediation or investigation that could impose any liability or obligation that could have or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on BAY. To the knowledge of BAY, BAY is in compliance in all material respects with applicable Environmental Laws. To the knowledge of BAY, no real property (including buildings or other structures) currently or formerly owned or operated by BAY, or any property in which BAY has held a security interest, Lien or a fiduciary or management role ("BAY Loan Property"), has been contaminated with, or has had any release of, any Hazardous Substance that has resulted, or would reasonably be expected to result, in a Material Adverse Effect with respect to BAY. BAY could not be deemed the owner or operator of, nor has it participated in the management regarding Hazardous Substances of, any BAY Loan Property or any property of BAY which has been contaminated with, or has had any release of, any Hazardous Substance that has resulted, or would reasonably be expected to result, in a Material Adverse Effect with respect to BAY. To BAY's knowledge, BAY has no liability for any Hazardous Substance disposal or contamination on any third party property. Neither BAY, nor to BAY's knowledge, any Person whose liability BAY has assumed whether contractually or by operation of law, has received any notice, demand letter, claim or request for information alleging any material violation of, or material liability under, any Environmental Law. BAY is not subject to any order, decree, injunction or other agreement with any Governmental Authority or any third party relating to any Environmental Law. To BAY's knowledge, there are no circumstances or conditions (including the presence of asbestos, underground storage tanks, lead products, polychlorinated biphenyls, prior manufacturing operations, dry-cleaning, or automotive services) involving BAY, any currently or formerly owned or operated property, any BAY Loan Property, or, to BAY's knowledge, any Person whose liability BAY has assumed whether contractually or by operation of law, that could reasonably be expected to result in any material claims, liability or investigations against BAY, result in any material restrictions on the ownership, use, or transfer of any property pursuant to any Environmental Law, or adversely affect the value of any BAY Loan Property or property of BAY. BAY has made available to FULB and UBB true and correct copies of all environmental reports or studies, sampling data, correspondence and filings in its possession or reasonably available to it relating to BAY and any currently or formerly owned or operated property.

(q) Tax Matters.

(i) BAY has timely filed all Tax Returns required to have been filed, taking into account any properly granted extensions of time to file, with the

appropriate taxing authorities, such Tax Returns are true, correct and complete and none of such Tax Returns has been amended.

(ii) All material Taxes required to be paid or remitted by BAY have been paid or remitted, including all Taxes shown as due and owing on all Tax Returns, all Taxes assessed or reassessed by any Governmental Authority, all Taxes held in trust or deemed to be held in trust for a Governmental Authority and all installments on account of Taxes for the current year or, where payment is not yet due, sufficiently reserved in the BAY Financial Statements in accordance with GAAP.

(iii) BAY and its officers, directors or any employee responsible for Tax matters have complied in all material respects with all rules and regulations relating to the withholding of Taxes and the remittance of withheld Taxes in connection with any amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party.

(iv) BAY has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(v) To BAY's knowledge, it has not engaged in any transaction that would constitute a "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b).

(vi) The unpaid Taxes of BAY (A) do not exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect temporary difference between book and Tax income) as shown on the balance sheet dated September 30, 2016 of BAY, and (B) will not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of BAY in filing its Tax Returns.

(vii) BAY is not currently the beneficiary of any extension of time within which to file any Tax Returns.

(viii) There are no liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of BAY.

(ix) No Tax actions by any Governmental Authority are pending or being conducted with respect to BAY.

(x) BAY has not received from any taxing authority (including jurisdictions in which BAY has not filed Tax Returns) any (A) notice indicating an intent to open an audit or other review, (B) request for information related to Tax matters or (C) notice of deficiency or proposed adjustment for any amount of Tax, proposed, asserted or assessed by any Governmental Authority against BAY.

(xi) Except as Previously Disclosed, BAY is not a party to or bound by any tax sharing agreement.

(xii) Except as Previously Disclosed, BAY has not been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns.

(xiii) BAY is not currently liable, nor does BAY have any potential liability, for the Taxes of another Person (A) under Treasury Regulations Section 1.1502-6 (or comparable provision of state, local or foreign law), (B) as transferee or successor, or (C) by contract or indemnity or otherwise.

(xiv) BAY has not ever been either a "distributing corporation" or a "controlled corporation" in connection with a distribution of stock qualifying for tax-free treatment, in whole or in part, under Section 355 of the Code.

(xv) BAY has not either been nor will be a "United States real property holding corporation" within the meaning of Section 897 of the Code during the five year period ending on the Closing Date.

(xvi) BAY will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date, as a result of any: (A) change in method of accounting for a taxable period ending on or prior to the Closing Date under Section 481 of the Code or similar state and local Tax law, (B) any "closing agreement" as described in Section 7121 of the Code or similar state or local Tax law executed on or prior to the Closing Date, (C) installment sale or open transaction disposition made on or prior to the Closing Date, (D) prepaid amount received on or prior to the Closing Date, (E) any item having been reported on the completed contract method of accounting or the percentage of completion method of accounting, or (F) other action taken prior to the Closing Date.

(r) Loans; Nonperforming and Classified Assets.

(i) Except as Previously Disclosed, each Loan on the books and records of BAY was made and has been serviced in all material respects in accordance with its customary lending standards in the ordinary course of business, is evidenced in all material respects by appropriate and sufficient documentation and, to the knowledge of BAY, constitutes the legal, valid and binding obligation of the obligor named therein, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditor's rights or by general equity principles.

(ii) BAY has Previously Disclosed as of the latest practicable date prior to the date of this Agreement: (A) any Loan under the terms of which the obligor is [60] or more days delinquent in payment of principal or interest, or to the knowledge of BAY, in default of any other material provision thereof; (B) each Loan which has been classified as "substandard," "doubtful," "loss" or "special mention" (or words of

similar import) by BAY, or an applicable regulatory authority; (C) a listing of the OREO acquired by foreclosure or by deed-in-lieu thereof, including the book value thereof; and (D) each Loan with any director or executive officer of BAY or an Affiliate of BAY.

(iii) BAY has Previously Disclosed a list and description of all loan participations entered into between BAY and any third party which are reflected on the books and records of BAY. A true and complete copy of each document relating to each loan participation has been made available to FULB and UBB, with the exception of loan files for loans guaranteed or unguaranteed by the SBA or another Governmental Authority and sold in the ordinary course of business.

(s) Properties. All real property owned or leased by BAY has been Previously Disclosed. With respect to such real property that is owned by BAY, BAY has good and marketable and insurable title, free and clear of all Liens, leases or other imperfections of title or survey, except (i) Liens for current taxes and assessments not yet due and payable and for which adequate reserves have been established, (ii) Liens set forth in policies for title insurance of such properties delivered to FULB and UBB, (iii) survey imperfections set forth in surveys of such properties delivered to FULB and UBB or (iv) as Previously Disclosed. With respect to such real property that is leased by BAY, BAY has a good and marketable leasehold estate in and to such property (except for the matters described in clauses (i)-(iv) hereof). Except as set forth on Schedule 5.3(s) of the Disclosure Schedule: BAY has delivered true, correct and complete copies of such lease(s), together with all amendments thereto, to FULB and UBB; any such lease is in full force and effect and will not lapse or terminate prior to the Closing Date. To the knowledge of BAY, BAY is not and the landlord thereunder is not in default of any of their respective obligations under any such lease and any such lease constitutes the valid and enforceable obligations of the parties thereto; other than as set forth on Schedule 5.3(s), the transactions contemplated hereby will not require the consent of any landlord under any such lease; and, with respect to any mortgage, deed of trust or other security instrument which establishes a Lien on the fee interest in any real property subject to any such lease, BAY has the benefit of a non-disturbance agreement from the holder or beneficiary of such mortgage, deed of trust or other security instrument that provides that BAY's use and enjoyment of the real property subject to such lease will not be disturbed as a result of the landlord's default under any such mortgage, deed of trust or other security instrument, provided BAY is not in default of any of its obligations pursuant to any such lease beyond the expiration of any notice and cure periods. All real and personal property owned by BAY or presently used by BAY in its business is in good condition (ordinary wear and tear excepted) and is sufficient to carry on its business in the ordinary course of business consistent with its past practices. BAY has good and marketable and insurable title, free and clear of all Liens to all of its material properties and assets, other than real property, except (i) pledges to secure deposits incurred in the ordinary course of its banking business consistent with past practice, (ii) such imperfections of title and encumbrances, if any, as are not material in character, amount or extent and (iii) as Previously Disclosed. All personal property which is material to BAY's business and leased or licensed by BAY is held pursuant to leases or licenses which are valid and enforceable in accordance with their respective terms and such leases will not terminate or lapse prior to the Effective Time.

(t) Intellectual Property. Except as Previously Disclosed, BAY owns or possesses valid and binding licenses and other rights to use without payment of any material amount all material patents, copyrights, trade secrets, trade names, service marks, trademarks and other intellectual property rights used in its business, free and clear of any material Liens, all of which have been Previously Disclosed by BAY, and BAY has not received any notice of conflict or allegation of invalidity with respect thereto or that asserts the intellectual property rights of others. To the knowledge of BAY, the operation of the business of BAY does not infringe or violate the intellectual property of any third party. BAY has performed in all material respects all the obligations required to be performed by it and is not in default under any contract, agreement, arrangement or commitment relating to any of the foregoing.

(u) Fiduciary Accounts. BAY has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws, regulations and common laws. To the knowledge of BAY, neither BAY nor any of its directors, officers or employees, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(v) Books and Records. The books, records, systems, data and information of BAY (i) have been fully, properly and accurately maintained in material compliance with applicable legal and accounting requirements, and such books and records accurately reflect in all material respects all dealings and transactions in respect of BAY and (ii) are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of BAY (including all means of access thereto and therefrom).

(w) Insurance. BAY is insured with reputable insurers against such risks and in such amounts as the management of BAY has reasonably determined to be prudent in accordance with industry practices; all of the material insurance policies, binders, or bonds currently maintained by BAY are in full force and effect; BAY is not in material default thereunder; and all claims thereunder have been filed in due and timely fashion.

(x) Allowance For Loan Losses. BAY's allowance for loan losses is in compliance with BAY's existing methodology for determining the adequacy of its allowance for loan losses as well as the standards established by GAAP, the Financial Accounting Standards Board and applicable bank regulatory agencies and is adequate under all such standards.

(y) Transactions With Affiliates. Except as Previously Disclosed, there are no existing or pending transactions, nor are there any agreements or understandings, with any shareholders, directors, officers or employees of BAY or any Affiliate of BAY, relating to, arising from or affecting BAY, including without limitation, any transactions, arrangements or understandings relating to the purchase or sale of goods or services, the

lending of monies or the sale, lease or use of any assets of BAY, with or without adequate compensation, in any amount whatsoever.

(z) Material Facts. The representations and warranties Section 5.3, when considered as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 5.3 not misleading

ARTICLE VI

COVENANTS

6.1 Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, FULB and UBB, on the one hand, and BAY and BHC, on the other hand, agree to use their commercially reasonable best efforts in good faith, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the transactions contemplated hereby as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby, including the satisfaction of the conditions set forth in Article VII hereof, and shall cooperate fully with the other parties hereto to that end.

6.2 Regulatory Filings.

(a) Subject to the other provisions of this Agreement, BAY, BHC, FULB and UBB shall cooperate and use their respective commercially reasonable best efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary to consummate the transactions contemplated hereby; and BAY and BHC shall use their commercially reasonable best efforts to make any necessary initial filings with Governmental Authorities, within thirty (30) days following the execution hereof.

(b) Each party agrees, upon request, to furnish the other parties with all information concerning itself and its directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other parties or any of their respective Subsidiaries (if applicable) to any third party or Governmental Authority.

6.3 Press Releases. BAY, BHC, FULB and UBB shall consult with each other before issuing any press release with respect to the transactions contemplated hereby or this Agreement and shall not issue any such press release or make any such public statements without the prior consent of the other parties, which shall not be unreasonably withheld or delayed; *provided, however*, that a party may, without the prior consent of the other parties (but after such consultation, to the extent practicable under the circumstances), issue such press release or make such public statements as may upon the advice of outside counsel be required by law or the rules or regulations of the securities exchange on which it trades, to the extent applicable.

6.4 Access; Information.

(a) Upon reasonable notice from BAY and subject to applicable laws relating to the exchange of information, FULB and UBB shall afford BAY and its officers, employees, counsel, accountants and other authorized representatives such access during normal business hours throughout the period prior to the Effective Time to the books, records (including, without limitation, Tax Returns and work papers of independent auditors), properties, personnel and advisors of FULB and UBB and to such other information relating to FULB and UBB as BAY may reasonably request and, during such period, it shall furnish to BAY all information concerning the business, properties and personnel of FULB and UBB as BAY may reasonably request. Upon reasonable notice from FULB and UBB and subject to applicable laws relating to the exchange of information, BAY shall afford FULB, UBB and their respective officers, employees, counsel, accountants and other authorized representatives such access during normal business hours throughout the period prior to the Effective Time to the books, records (including, without limitation, Tax Returns and work papers of independent auditors), properties, personnel and advisors of BAY and to such other information relating to BAY as FULB and UBB may reasonably request and, during such period, it shall furnish to FULB and UBB all information concerning the business, properties and personnel of BAY as FULB and UBB may reasonably request.

(b) FULB and UBB shall cooperate, and use their commercially reasonable best efforts to cause its independent auditor to cooperate, at FULB's expense, with BAY and its independent auditor in order to enable BAY and its Affiliates to prepare financial statements, including, without limitation, pro forma financial information, for FULB that may be required by BAY and BHC in connection with the filing of regulatory applications with Governmental Authorities or otherwise required in connection with the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, FULB and UBB agree that they will execute and deliver, and cause their officers to execute and deliver (including former officers of FULB and/or UBB after the Closing), such "representation" letters as are customarily delivered in connection with audits and as the independent auditors of FULB, UBB or BAY may respectively reasonably request under the circumstances.

(c) All information furnished pursuant to this Section 6.4 shall be subject to the provisions of the confidentiality agreement, dated as of September 7, 2016 between BAY, FULB and UBB (the "Confidentiality Agreement").

(d) No investigation by any of the parties or their respective representatives shall affect the representations, warranties, covenants or agreements of the other parties set forth herein.

6.5 No Solicitation

(a) FULB and UBB shall not, and shall not permit or authorize any of its Subsidiaries, Affiliates, directors, officers, employees, agents and representatives (including without limitation any investment banker, financial advisor, attorney, accountant or other representatives retained by FULB or UBB) (all of the foregoing, collectively

“Representatives”), directly or indirectly, to (i) solicit, initiate, endorse, encourage or facilitate any inquiry, proposal or offer with respect to, or the making or completion of, any Acquisition Proposal, or any inquiry, proposal or offer that is reasonably likely to lead to any Acquisition Proposal, (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any Person any information or data with respect to, or otherwise cooperate in any way with, any Acquisition Proposal, (iii) approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, any Acquisition Proposal or (iv) resolve, propose or agree to do any of the foregoing.

FULB and UBB shall, and shall cause each of their respective Subsidiaries and the Representatives of FULB, UBB and their Subsidiaries to, (A) immediately cease and cause to be terminated all existing discussions or negotiations with any Person conducted heretofore with respect to any Acquisition Proposal, and (B) not terminate, waive, amend, release or modify any provision of any confidentiality or standstill agreement to which it or any of its Affiliates or Representatives is a party with respect to any Acquisition Proposal, and shall enforce the provisions of any such agreement.

Notwithstanding the foregoing, if at any time following the date of this Agreement and prior to obtaining FULB Requisite Shareholder Approval, (1) FULB or UBB receives a written Acquisition Proposal that the FULB Board believes in good faith to be bona fide, (2) such Acquisition Proposal was unsolicited and did not otherwise result from a breach of this Section 6.5(a), (3) the FULB Board determines in good faith that such Acquisition Proposal constitutes or is more likely than not to result in a Superior Proposal and (4) the FULB Board determines in good faith (and based on the advice of outside counsel) that the failure to take the actions referred to in clause (x) or (y) below would constitute a breach of its fiduciary duties to the shareholders of FULB under applicable Law, then FULB may (x) furnish information with respect to FULB and its Subsidiaries to the Person making such Acquisition Proposal pursuant to a customary confidentiality agreement containing terms substantially similar to, and no less favorable to FULB than, those set forth in the Confidentiality Agreement; provided, that any non-public information provided to any Person given such access shall have been previously provided to BAY or shall be provided to BAY prior to or concurrently with the time it is provided to such Person and (y) participate in discussions or negotiations with the Person making such Acquisition Proposal regarding such Acquisition Proposal; provided that prior to providing any nonpublic information permitted to be provided pursuant to the foregoing provisos or engaging in any discussions or negotiations, FULB shall have entered into a confidentiality agreement with such third party on terms no less favorable to FULB than the Confidentiality Agreement.

(b) Neither the FULB Board nor any committee thereof shall: (i) effectuate an Adverse Recommendation Change; (ii) cause or permit FULB to enter into an Alternate Acquisition Agreement; or (iii) resolve, agree or propose to take any such actions.

Notwithstanding the foregoing, in the event FULB receives an unsolicited bona fide Acquisition Proposal and the FULB Board concludes in good faith that such Acquisition Proposal constitutes or is more likely than not to result in a Superior Proposal, the FULB Board shall nevertheless cause the FULB Shareholders Meeting to be held in accordance

with Section 6.7(b) herein, but may, to the extent that the FULB Board concludes in good faith (and based on the advice of outside counsel) that failure to take such action would result in a violation of its fiduciary duties under applicable Law, submit this Agreement to its shareholders without recommendation (although the resolutions approving this Agreement as of the date of this Agreement may not be rescinded or amended) in which event the FULB Board may communicate the basis for its lack of a recommendation to the shareholders in the Proxy Statement or an appropriate amendment or supplement thereto to the extent required by law; provided, however, that FULB may not submit this Agreement to its shareholders without recommendation unless (A) FULB promptly notifies BAY in writing at least five (5) Business Days before taking that action of its intention to do so, and specifying the reasons therefor, including the terms and conditions of, and the identity of any Person making, such Superior Proposal, and contemporaneously furnishing a copy of the relevant Alternative Acquisition Agreement and any other relevant transaction documents (it being understood and agreed that any amendment to the financial terms or any amendment to any other material term of such Superior Proposal shall require a new written notice by FULB and a new five (5) Business Day period) and (B) prior to the expiration of such five (5) Business Day period, BAY does not make a proposal to adjust the terms and conditions of this Agreement that the FULB Board determines in good faith (after consultation with outside counsel and its financial advisor) after giving effect to, among other things, the payment of the BAY Termination Fee set forth in Section 8.2(a)(ii), that such action is no longer required by its fiduciary duties to the shareholders of FULB under applicable Law.

During the five (5) Business Day period prior to its effecting an Adverse Recommendation Change as referred to above, FULB shall, and shall cause its financial and legal advisors to, negotiate with BAY in good faith (to the extent BAY seeks to negotiate) regarding any revisions to the terms of the transactions contemplated by this Agreement proposed by BAY.

(c) In addition to the obligations of FULB set forth in Section 6.5(a) and Section 6.5(b), FULB shall promptly, and in any event within 24 hours of receipt, advise BAY in writing in the event FULB or any of its Subsidiaries or Representatives receives (i) any Acquisition Proposal or indication by any Person that it is considering making an Acquisition Proposal, (ii) any request for information, discussion or negotiation that is reasonably likely to lead to or that contemplates an Acquisition Proposal or (iii) any inquiry, proposal or offer that is reasonably likely to lead to an Acquisition Proposal, in each case together with the terms and conditions of such Acquisition Proposal (to the extent such terms and conditions are known to FULB), request, inquiry, proposal or offer and the identity of the Person making any such Acquisition Proposal, request, inquiry, proposal or offer, and shall furnish BAY with a copy of such Acquisition Proposal (or, where such Acquisition Proposal is not in writing, with a description of the material terms and conditions thereof). FULB shall keep BAY informed (orally and in writing) in all material respects on a timely basis of the status and details (including, within 24 hours after the occurrence of any amendment, modification, discussion or negotiation of any such Acquisition Proposal, request, inquiry, proposal or offer, including furnishing copies of any written inquiries, correspondence and draft documentation, and written summaries of any material oral inquiries or discussions. Without limiting any of the foregoing, FULB shall promptly (and in any event within 24 hours)

notify BAY orally and in writing if it determines to begin providing information or to engage in discussions or negotiations concerning an Acquisition Proposal pursuant to Section 6.5(a) or Section 6.5(b) and shall in no event begin providing such information or engaging in such discussions or negotiations prior to providing such notice.

(d) FULB agrees that any violation of the restrictions set forth in this Section 6.5 by any Representative of FULB or any of its Subsidiaries, whether or not such Person is purporting to act on behalf of FULB or any of its Subsidiaries or otherwise, shall be deemed to be a material breach of this Agreement by FULB.

(e) FULB shall not, and shall cause its Subsidiaries not to, enter into any agreement with any Person subsequent to the date of this Agreement that (i) would restrict FULB's ability to comply with any of the terms of this Section 6.5; or (ii) relates to any Acquisition Proposal that would materially impair FULB's ability to consummate the transactions contemplated by this Agreement.

(f) FULB shall not take any action to exempt any Person (other than BAY, BHC and their respective Affiliates) from the restrictions on "business combinations" or any similar provision contained in any Antitakeover Law or otherwise cause such restrictions not to apply, or agree to do any of the foregoing.

(g) FULB agrees that, prior to the termination of this Agreement, it shall not submit to the vote of its shareholders any Acquisition Proposal (whether or not a Superior Proposal) or propose to do so.

6.6 FULB Shareholder Recommendation.

Unless the FULB Board submits this Agreement to its shareholders without recommendation pursuant to Section 6.5(b), FULB, through the FULB Board, shall (i) recommend to the FULB shareholders that they adopt this Agreement and the transactions contemplated hereby, (ii) include such recommendation in the Proxy Statement-Offering Circular and (iii) publicly reaffirm such recommendation within 24 hours after a request to do so by BAY. Without limiting the generality of the foregoing, FULB agrees that its obligations to convene and hold the FULB Shareholders Meeting as soon as practicable under Section 6.7(b) shall not be affected by the commencement, public proposal, public disclosure or communication to FULB or any other Person of any Acquisition Proposal. In any case in which the FULB Board, submits this Agreement to its shareholders without recommendation pursuant to Section 6.5(b), or anything else to the contrary in this Agreement (x) FULB shall nevertheless submit this Agreement and the Merger to a vote of its shareholders and (y) the Proxy Statement-Offering Circular and any and all accompanying materials (including the proxy card, the "Proxy Materials") shall be identical in form and content to Proxy Materials that would have been prepared by FULB had no Adverse Recommendation Change occurred, except for appropriate changes to the disclosure in the Proxy Statement-Offering Circular stating that such Adverse Recommendation Change has been made and, if applicable, describing matters relating to the Superior Proposal or other event giving rise to the Adverse Recommendation Change to the extent required by applicable Law.

6.7 Requisite Shareholder Approval.

(a) Proxy Statement-Offering Circular. For the purposes of holding the FULB Shareholders Meeting, and holding the BAY Shareholders Meeting, BAY shall draft and prepare, and FULB shall cooperate in the preparation of a joint proxy statement and offering circular satisfying all applicable requirements of applicable state and federal securities laws, and the rules and regulations thereunder (such joint proxy statement/offering circular in the form mailed to the shareholders of FULB and BAY/BHC, together with any and all amendments or supplements thereto, being herein referred to as the "Proxy Statement-Offering Circular"). BAY shall file a draft of the Proxy Statement-Offering Circular, with the DBO in connection with the permit application as described in Section 6.15. BAY shall use its best efforts to have the Proxy Statement-Offering Circular approved by the DBO as promptly as practicable after such filing, and following receipt of the DBO Permit, BAY and FULB shall thereafter promptly mail the Proxy Statement-Offering Circular to FULB's shareholders and BAY/BHC's shareholders. BAY shall also use its commercially reasonable efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated by this Agreement, and FULB shall furnish all information concerning FULB, and the holders of FULB Common Stock, as may be reasonably requested in connection with any such action. FULB shall provide BAY with any information concerning itself that BAY may reasonably request in connection with the drafting and preparation of the Proxy Statement-Offering Circular, and BAY shall notify FULB promptly of the receipt of any comments of the DBO or any blue sky administrator with respect to the Proxy Statement-Offering Circular and of any requests by the DBO or any blue sky administrator for any amendment or supplement thereto or for additional information and shall provide to FULB promptly copies of all correspondence between BAY or any of their representatives and the DBO. BAY shall give FULB and its counsel the opportunity to review and comment on the Proxy Statement-Offering Circular prior to its being filed with the DBO and shall give FULB and its counsel the opportunity to review and comment on all amendments and supplements to the Proxy Statement-Offering Circular and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the DBO. Each of BAY and FULB agrees to use reasonable efforts, after consultation with the other party hereto, to respond promptly to all such comments of and requests by the DBO and to cause the Proxy Statement-Offering Circular and all required amendments and supplements thereto to be mailed to the holders of common stock entitled to vote at the FULB Shareholders Meeting and at the BAY Shareholders Meeting at the earliest practicable time. FULB and BAY shall promptly notify the other party if at any time it becomes aware that the Proxy Statement-Offering Circular contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, FULB shall cooperate with BAY in the preparation of a supplement or amendment to such Proxy Statement-Offering Circular that corrects such misstatement or omission, and BAY shall file an amended Proxy-Statement Prospectus with the DBO, as required, and shall mail such supplement or amendment to holders of FULB Common Stock and BAY Common Stock entitled to vote at the FULB Shareholders Meeting and the BAY Shareholders Meeting, respectively, at the earliest practicable time.

(b) Shareholders' Meetings and Approvals. FULB will as promptly as practicable after the receipt of the DBO Permit, take all steps necessary to give notice of, convene and hold a meeting of its shareholders of FULB (the "FULB Shareholders Meeting"), for the purpose of considering this Agreement and the Merger, and for such other purposes as may be, in FULB's reasonable judgment, necessary or desirable. BAY will promptly as practicable after the receipt of the DBO Permit take all steps necessary to give notice of, convene, and hold a meeting of the shareholders of BAY/BHC (the "BAY Shareholders Meeting"), for the purpose of considering the Agreement and the Merger, and for such other purposes as may be, in BAY's reasonable judgment, necessary or desirable.

6.8 Indebtedness; Trust Preferred Securities; Note Payable. Upon the Effective Time, BHC and BAY shall assume (i) all Indebtedness of FULB and UBB and (ii) the due and punctual performance and observance of the covenants to be performed by FULB pursuant to the junior subordinated debentures (the "Trust Debentures") issued by First ULB Statutory Trust I, relating to the trust preferred securities issued by the trust, and the due and punctual payment of the principal of and premium, if any, and interest on such trust preferred securities. In connection with (ii) of this Section 6.8, BAY and BHC shall execute and deliver any supplemental indentures or other documents, and the parties hereto shall provide any opinion of counsel to the trustee thereof, required to make such assumption effective.

6.9 Notification of Certain Matters. Each of FULB and UBB shall give prompt notice to BAY, and BAY shall give prompt notice to FULB and UBB of any fact, event or circumstance known to it that (i) is reasonably likely, individually or taken together with all other facts, events and circumstances known to such party, to result in any Material Adverse Effect with respect to such party, (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein, or (iii) lead to litigation or regulatory action that would delay or prevent the consummation of the transactions contemplated by this Agreement.

6.10 Estoppel Letters and Consents; Title Insurance. FULB and UBB shall use their respective best efforts to obtain and deliver to BAY at the Closing with respect to all real estate (i) owned by FULB and/or UBB, an estoppel letter dated as of the Closing Date in a form reasonably acceptable to BAY from each tenant and (ii) leased by FULB and/or UBB, an estoppel letter dated as of the Closing Date in a form reasonably acceptable to BAY from each lessor to the extent required by the applicable lease. FULB and UBB shall also deliver to BAY, title policies in the amounts requested by BAY, issued by a title insurance company reasonably acceptable to BAY, subject only to the exceptions described in the first sentence of Section 5.2(t). FULB and UBB shall pay all costs for removing or obtaining a policy, or endorsement satisfactory to BAY respecting any other title exceptions. In all other circumstances, for any reissued, down dated or new title policy issued to BAY, FULB and UBB shall pay for that portion of the policy premium attributable to an amount equal to the net book value of its investment in the land and improvements, and the balance shall be payable by BAY. FULB and UBB shall also use commercially reasonable efforts to obtain the waiver, approval and/or consents to assignment for all FULB Material Contracts so identified as requiring consent on the Disclosure Schedules (the "Consents"). Where required by law or by agreements with third parties, FULB and UBB shall use commercially reasonable best efforts to obtain from third

parties, prior to the Closing Date, all other consents to the transactions contemplated by this Agreement.

6.11 Antitakeover Statutes. Each of BAY, BHC, FULB and UBB and their respective boards of directors shall, if any state antitakeover statute or similar statute becomes applicable to this Agreement and the transactions contemplated hereby, take all action reasonably necessary to ensure that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise to minimize the effect of such statute or regulation on this Agreement and the transactions contemplated hereby.

6.12 Notice to UBB Customers. On and after the receipt of all Regulatory Approvals and shareholder approvals required to consummate the transactions contemplated hereby, UBB shall permit BAY to provide one or more written notices (which may be joint notices from UBB and BAY) to customers of UBB to describe the proposed transactions, the effect on customers and planned transition procedures. UBB shall have the right to review and approve the substance of any such communications, provided that UBB shall not unreasonably withhold, delay or condition its approval.

6.13 Indemnification; Directors and Officers Insurance.

(a) From and after the Effective Time, BAY and BHC shall indemnify and hold harmless, to the fullest extent permitted under applicable law and the FULB Articles, the UBB Charter, the FULB Bylaws and the UBB Bylaws (and shall also advance expenses as incurred to the fullest extent permitted under applicable law and the FULB Articles, the UBB Charter, the FULB Bylaws and the UBB Bylaws), each present and former director and officer of FULB and UBB (in each case, when acting in such capacity) and any other Person entitled to indemnification under the FULB Bylaws and UBB Bylaws, determined as of the Effective Time (collectively, the "Indemnified Parties") against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Effective Time, including the transactions contemplated by this Agreement; provided that the Indemnified Party to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Indemnified Party is not entitled to indemnification by BAY or BHC.

(b) Any Indemnified Party wishing to claim indemnification under Section 6.13(a), upon learning of any claim, action, suit, proceeding or investigation described above, will promptly notify BAY and BHC, but the failure to so notify shall not relieve indemnification obligations which BAY or BHC may have to such Indemnified Party; *provided* that failure to so notify will not affect the obligations of BAY and BHC under Section 6.13(a) unless and to the extent that BAY or BHC is actually and materially prejudiced as a consequence.

(c) Prior to the Effective Time, FULB and UBB shall, or if FULB or UBB is unable to, BAY or BHC as of the Effective Time shall, obtain and FULB and UBB

shall fully pay for “tail” insurance (providing only for the Side A coverage for Indemnified Parties where the existing policies also include Side B coverage for FULB) with a claims period of up to six (6) years from and after the Effective Time with respect to directors’ and officers’ liability insurance and fiduciary liability insurance (collectively, “D&O Insurance”) with benefits and levels of coverage at least as favorable to the Indemnified Parties as FULB’s and UBB’s existing policies with respect to matters existing or occurring at or prior to the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby); *provided, however*, that in no event shall FULB and UBB expend for “tail” insurance policies a premium amount in excess of 250% of the annual premiums on FULB’s and UBB’s existing policies as of the date of this Agreement (the “Maximum Amount”); *provided, further*, that if the annual premiums of such insurance coverage exceed such amount, FULB, UBB, BAY or BHC shall obtain a policy with the greatest coverage available for a cost not exceeding such amount.

(d) The provisions of this Section 6.13 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party as if he or she was a party to this Agreement.

6.14 Post-Merger Boards. On or prior to the Closing Date, the board of directors of BHC shall take such actions as are necessary to increase the size of the board of directors of BHC by two seats and to appoint to the board of directors of BHC immediately after the Effective Time Malcolm Hotchkiss and Rocco Davis or, in the event either of the foregoing individuals declines such appointment or is otherwise unable to accept such appointment, two other individuals currently serving as members of the boards of directors of FULB or UBB, selected by BAY.

6.15 California Permit.

(a) Preparation and Filing of Permit Application. BAY, BHC, FULB and UBB contemplate that all shares of BHC Common Stock exchanged for shares of FULB Common Stock in the Merger shall be exempt from the Securities Act under the provisions of Section 3(a)(10) of such act. BAY and BHC shall promptly prepare and file an appropriate application with the Commissioner for a permit to issue and exchange securities as described in Section 25142 of the CGCL and as will be in compliance with the California Corporate Securities Law of 1968 (the “DBO Permit”). The DBO Permit shall approve the issuance of a sufficient number of shares of BHC Common Stock to complete the exchange of shares of FULB Common Stock for shares of BHC Common Stock pursuant to Article III of this Agreement. BAY, BHC, FULB and UBB shall cooperate in all reasonable respects with regard to the preparation of the related Proxy Statement-Offering Circular in preliminary form so it can be filed with the Commissioner for purposes of a permit application under Section 25142 of the CGCL. The Proxy Statement-Offering Circular shall constitute a disclosure document for the offer and issuance of the shares of BHC Common Stock to be received by holders of FULB Common Stock in the Merger and, a proxy statement with respect to the solicitation of the shareholders of BAY and FULB with respect to approval of the Agreement and the transactions contemplated hereby (including the Merger), and shall include (i) a statement to the effect that the FULB Board has unanimously recommended that holders of

FULB Common Stock vote in favor of the approval of the Agreement and the transactions contemplated hereby (including the Merger), and (ii) a statement to the effect that the BAY Board has unanimously recommended that holders of BAY Common Stock vote in favor of the Agreement and the transaction contemplated hereby (including the Merger), and (iii) such other information as FULB and BAY may agree is required or advisable to be included therein. BAY and FULB shall each provide promptly to the other such information concerning its business and financial condition and affairs as may be required or appropriate for including in the permit application or in the Proxy Statement-Offering Circular (or other proxy or solicitation materials), and shall cause its legal counsel, financial advisors and independent auditors to cooperate with the other party's legal counsel, financial advisors and independent auditors in the preparation of the permit application and the Proxy Statement-Offering Circular (and any other proxy or solicitation materials).

(b) Issuance of Permit. BAY, BHC, FULB and UBB shall use their best efforts to have the permit described in Section 25142 of the CGCL (and any necessary or appropriate amendments or supplements thereto) issued by the Commissioner under the California Corporate Securities Law of 1968 as soon as practicable.

6.16 Benefit Plans.

(a) Termination of FULB and UBB Plans. At the Effective Time, FULB and UBB shall terminate, any and all 401(k) Plans FULB and UBB maintain and any other FULB Benefit Plans that BAY may specify; provided, however that BAY must give prior advance written notice of any such request for termination at least thirty (30) days prior to the Closing Date. Prior to the Effective Time, FULB and UBB shall take all action necessary to fully vest participants in their account balances under any and all 401(k) Plans FULB and UBB maintain.

(b) Participation in BAY Benefit Plans. As of and following the Effective Time, the employees of FULB and UBB as of the Effective Time who continue to be employed by BAY after the Effective Time or who are offered and who accept employment with BAY (collectively, the "Former UBB Employees") shall be eligible to participate in the BAY Benefit Plans in which the similarly situated employees of BAY participate, to the same extent as such similarly situated employees of BAY participate. With respect to each BAY Benefit Plan, BAY agrees that for purposes of determining eligibility to participate, vesting and benefits (other than benefit accruals under any defined benefit pension plan), service with FULB and/or UBB shall be treated as service with BAY; provided, however, that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits. To the extent permitted by any insurer of a BAY Benefit Plan, BAY shall cause such BAY Plan to waive: (i) any pre-existing condition restriction that did not apply under the terms of any analogous FULB Benefit Plan immediately prior to the Effective Time; and (ii) any waiting period limitation or evidence of insurability requirement which would otherwise be applicable to a Former UBB Employee on or after the Effective Time to the extent such Former UBB Employee had satisfied any similar limitation or requirement under an analogous FULB Benefit Plan prior to the Effective Time for purposes of applying deductibles, co-

payments and out-of-pocket maximums as though such amounts had been paid in accordance with the terms and conditions of the BAY Benefit Plan.

(c) Severance Program. Other than as set forth on Schedule 6.16(c) of the Disclosure Schedule, any former employee of UBB (excluding any such employee who is party to an employment agreement or change-in-control agreement which provides for severance payments) whose employment is terminated (other than for cause) at the request of BAY (but by and in the sole discretion of FULB and UBB) prior to the Effective Time, or is terminated by BAY within twelve (12) months following the Closing Date, shall be entitled to receive severance payments in an amount equal to two (2) weeks' base pay for each full year of service based upon the employee's date of hire (plus a prorated amount for each partial year of service), such service determined by taking into account service with FULB, UBB and BAY, with a minimum of four (4) weeks of base pay; provided, however, that for purposes of this Section 6.16 an employee shall also be considered to be terminated by BAY if such person resigns after (i) any significant reduction in base salary or incentive compensation from that paid or made available immediately prior to the Closing Date or (ii) being required to be based at any office or location more than forty miles from where the person was based on the date immediately preceding the Closing Date, except for travel reasonably required in the performance of responsibilities and commensurate with the amount of travel required prior to the Closing Date.

6.17 Certain Policies. Prior to the Closing Date, UBB shall, consistent with GAAP and applicable banking laws and regulations, to the extent requested by BAY, modify or change its loan, OREO, accrual, reserve, tax, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of BAY; *provided, however*, that no such modifications or changes need be made prior to the satisfaction of the condition set forth in Section 7.1(a); and further provided that in any event, no accrual or reserve made by UBB pursuant to this Section 6.17 shall constitute or be deemed to be a breach, violation of or failure to satisfy any representation, warranty, covenant, agreement, condition or other provision of this Agreement or otherwise be considered in determining whether any such breach, violation or failure to satisfy shall have occurred. The recording of any such adjustments shall not be deemed to imply any misstatement of previously furnished financial statements or information and shall not be construed as concurrence of FULB or UBB or their respective management with any such adjustments.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE TRANSACTION

7.1 Conditions to Each Party's Obligation to Effect the Transactions Contemplated Hereby. The respective obligation of each of the parties hereto to consummate the transactions contemplated hereby (the "Closing") is subject to the fulfillment or, to the extent permitted by applicable law, written waiver by the parties hereto prior to the Closing Date, of each of the following conditions:

(a) Regulatory Approvals. All Regulatory Approvals required to consummate the transactions contemplated hereby, including but not limited to the Merger, and the Bank Merger, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired, and no such approvals shall contain any conditions, restrictions or requirements which BAY and BHC, on the one hand, or FULB and UBB, on the other hand, reasonably determine in good faith would, individually or in the aggregate, materially reduce the benefits of the transactions contemplated hereby to such a degree that BAY and BHC or FULB and UBB, as the case may be, would not have entered into this Agreement had such conditions, restrictions or requirements been known at the date hereof (any such condition, restriction or requirement, a “Burdenome Condition”).

(b) No Injunction. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits or makes illegal consummation of the transactions contemplated hereby.

(c) Corporate Approvals. This Agreement, the Merger and the transactions contemplated herein shall have been duly approved by (i) the FULB Board, (ii) the UBB Board, (iii) the affirmative vote of the holders of a majority of the outstanding shares of FULB Common Stock, (iv) FULB, as the sole shareholder of UBB, (v) the BAY Board, (vi) the BHC Board, (vii) the affirmative vote of the holders of a majority of the outstanding shares of BAY Common Stock, and (viii) following the bank holding company reorganization, the affirmative vote of the holders of a majority of the outstanding shares of BHC Common Stock.

(d) Issuance of Permit. The DBO Permit (and any necessary or appropriate amendments or supplements thereto) shall have been issued by the Commissioner, after a hearing before the DBO upon the fairness of the terms and conditions of the issuance and exchange of shares of BHC Common Stock for shares of FULB Common Stock, no stop order denying effectiveness to, or suspending or revoking the effectiveness of such qualification shall be in effect and no proceedings for such purpose shall have been initiated or threatened by or before the Commissioner, and the shares of BHC Common Stock qualified under the permit issued by the Commissioner shall have received all state securities and “Blue Sky” permits or approvals required to consummate the transactions contemplated by this Agreement.

7.2 Conditions to Obligations of FULB and UBB. The obligations of FULB and UBB to consummate the transactions contemplated hereby are also subject to the fulfillment or written waiver by FULB and UBB prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of BAY set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date shall be true and correct as of such date), except where the failure to be so true

and correct (without giving effect to any limitation as to “materiality” or “Material Adverse Effect” set forth therein), individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on BAY or BHC, *provided that* (i) the representations and warranties of BAY (A) set forth in the first sentence of Section 5.3(a), Section 5.3(e) and Section 5.3(g)(i) shall be true and correct as of such dates in all respects, and (B) set forth in Section 5.3(b) shall be true and correct as of such dates in all respects other than for such failures to be true and correct as are *de minimis* in effect, and FULB and UBB shall have received a certificate or certificates, dated the Closing Date, signed on behalf of BAY by the President and Chief Executive Officer and the Chief Financial Officer to such effect.

(b) Performance of Obligations of BAY and BHC. Each of BAY and BHC shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and FULB and UBB shall have received a certificate or certificates, dated the Closing Date, signed on behalf of BAY by the President and Chief Executive Officer and the Chief Financial Officer to such effect.

(c) No Material Adverse Effect. There shall not have occurred any event, circumstance, change, occurrence or state of facts that, individually or in the aggregate with all such other events, circumstances, changes occurrences or states of facts, has resulted in or would reasonably be expected to result in, a Material Adverse Effect on BAY or BHC.

(d) Payment of Merger Consideration. BHC shall have delivered the Merger Consideration to the Exchange Agent and the Exchange Agent shall have provided FULB and UBB with a certificate evidencing such delivery.

(e) Appointment of FULB Directors to the Board of Directors. BHC shall have offered to appoint the New BHC Directors (Malcolm Hotchkiss and Rocco Davis or two other individuals currently serving as members of the boards of directors of FULB or UBB) to serve on its board of directors effective immediately after the Effective Time.

(f) Other Actions. BAY and BHC shall have furnished FULB and UBB with such certificates of its respective officers or others and such other documents to evidence fulfillment of the conditions set forth in Sections 7.1 and 7.2 as FULB may reasonably request.

(g) Well-Capitalized. BAY will, after payment of the Per Share Merger Consideration, be “well-capitalized” as defined in applicable laws and regulations.

7.3 Conditions to Obligation of BAY. The obligation of BAY to consummate the Merger and the other transactions contemplated hereby is also subject to the fulfillment or written waiver by BAY prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of FULB and UBB set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except that representations and warranties that by their terms speak as of the date of this

Agreement or some other date shall be true and correct as of such date), except where the failure to be so true and correct (without giving effect to any limitation as to “materiality” or “Material Adverse Effect” set forth therein), individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on BAY, BHC, FULB, or UBB, *provided that* the representations and warranties of FULB and UBB set forth in the first sentence of Section 5.2(a), Section 5.2(b), Section 5.2(e), Section 5.2(g)(i) and Section 5.2(m) shall be true and correct as of such dates in all respects, and BAY shall have received a certificate, dated the Closing Date and signed on behalf of FULB and UBB by the President and the Chief Financial Officer of each such entity to such effect.

(b) Performance of Obligations of FULB and UBB. FULB and UBB shall have performed in all material respects all obligations required to be performed by each of them under this Agreement at or prior to the Closing Date, and BAY shall have received a certificate, dated the Closing Date, signed on behalf of FULB and UBB by the President and the Chief Financial Officer of each such entity to such effect.

(c) Estoppel Letters, Consents and Title Policies. FULB and UBB shall have delivered fully executed estoppel letters, Consents and title policies as required by Section 6.10.

(d) FIRPTA Certificate. FULB and UBB shall have delivered to BAY a properly executed statement from FULB and UBB that meets the requirements of Treasury Regulations Sections 1.1445-2(c)(3) and 1.897-2(h)(1), dated as of the Closing Date and in form and substance satisfactory to BAY.

(e) No Material Adverse Effect. There shall not have occurred any event, circumstance, change, occurrence or state of facts that, individually or in the aggregate with all such other events, circumstances, changes occurrences or states of facts, has resulted in or would reasonably be expected to result in, a Material Adverse Effect on FULB and/or UBB.

(f) Other Actions. FULB and UBB shall have furnished BAY with such certificates of their respective officers or others and such other documents to evidence fulfillment of the conditions set forth in Sections 7.1 and 7.3 as BAY may reasonably request.

ARTICLE VIII

TERMINATION

8.1 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned, at any time prior to the Effective Time:

(a) Mutual Consent. By the mutual consent in writing of BAY, BHC, FULB and UBB.

(b) Breach.

(i) By FULB and UBB, if FULB and UBB are not in material breach of any of the terms of this Agreement, in the event of a material breach by BAY or BHC of any representation, warranty, covenant or agreement contained herein, which breach (A) cannot be or has not been cured within thirty (30) Business Days after the giving of written notice to the breaching party or parties of such breach, and (B) would entitle FULB and UBB not to consummate the transactions contemplated hereby under Section 7.2(a) or (b).

(ii) By BAY, if neither BAY nor BHC is in material breach of any of the terms of this Agreement, in the event of a material breach by FULB and UBB of any representation, warranty, covenant or agreement contained herein, which breach (A) cannot be or has not been cured within thirty (30) Business Days after the giving of written notice to the breaching party of such breach, and (B) would entitle BAY not to consummate the transactions contemplated hereby under Section 7.3(a) or (b), except for any breach of any representation, warranty, covenant or agreement set forth in Section 6.5 or 6.6 as to which Section 8.1(j) shall apply.

(c) No Regulatory Approval. By BAY and BHC, on the one hand, or FULB and UBB, on the other hand, in the event the approval of any Governmental Authority required for consummation of the transactions contemplated hereby shall have been denied by final nonappealable action of such Governmental Authority or an application therefor shall have been permanently withdrawn at the request of a Governmental Authority, or in the event the approval of any Governmental Authority required for consummation of the transactions contemplated hereby will not be granted without the imposition of a Burdensome Condition; *provided*, however, that no party shall not have the right to terminate this Agreement pursuant to this Section 8.1(c) if such denial shall be due to the failure of such party seeking to terminate this Agreement to perform or observe the covenants of such party or parties set forth herein.

(d) Breach of No Solicitation or Negotiation. By BAY, if FULB and UBB shall have breached any covenant contained in Section 6.5 above.

(e) Material Adverse Change.

(i) By BAY in the event that any material adverse change or matter exists or is identified that would reasonably be expected to result in a Material Adverse Effect to FULB and/or UBB.

(ii) By FULB and UBB in the event that any material adverse change or matter exists or is identified that would reasonably be expected to result in a Material Adverse Effect to BAY and/or BHC.

(f) Outside Date. By BAY on the one hand, or FULB and UBB on the other hand, if the Merger shall not have been consummated by June 30, 2017 (the "Outside Date"); provided, that neither party shall have the right to terminate this Agreement pursuant to

this Section 8.1(f) if the failure of such party to perform or comply in all material respects with the covenants and agreements of such party set forth in this Agreement shall have been the direct cause of, or resulted directly in, the failure of the Merger to be consummated by the Outside Date. Also by Bay on the one hand, or FULB and UBB on the other hand, if the approval of the Governmental Authorities related to the Merger is not received by March 31, 2017.

(g) Requisite Shareholder Approval. By BAY on the one hand, or FULB on the other hand, if any Requisite Shareholder Approval shall not have been obtained.

(h) Actions. By BAY or BHC on the one hand, or FULB or UBB on the other hand, if any court of competent jurisdiction or other Governmental Entity shall have issued a judgment, order, injunction, rule or decree, or taken any other action restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such judgment, order, injunction, rule, decree or other action shall have become final and nonappealable, provided, that the party seeking to terminate this Agreement pursuant to this Section 8.1(h) shall have used its reasonable best efforts to contest, appeal and remove such judgment, order injunction, rule, decree, ruling.

(i) No Solicitation; Recommendation. By BAY if (A) FULB submits this Agreement to its shareholders without a recommendation for approval, or otherwise withdraws or adversely modifies or qualifies (or discloses its intention to withdraw or adversely modify or qualify) its recommendation as contemplated by Section 6.6; (B) FULB or the FULB Board (or any committee thereof) shall approve or recommend, or cause or permit FULB to enter into, an Alternative Acquisition Agreement relating to an Acquisition Proposal; (C) FULB fails publicly to reaffirm its recommendation of the Merger within five (5) Business Days after a request at any time to do so by BAY, or within five (5) Business Days after the date any Acquisition Proposal or any material modification thereto is first commenced, published or sent or given to FULB's shareholders (which reaffirmation must also include, with respect to an Acquisition Proposal, an unconditional rejection of such Acquisition Proposal, it being understood that taking no position with respect to the acceptance of such Acquisition Proposal or modification thereto shall constitute a failure to reject such Acquisition Proposal); (D) FULB shall have breached any of its obligations under Section 6.5 or 6.6; or (E) FULB or the FULB Board (or any committee thereof) shall formally resolve or publicly authorize or propose to take any of the foregoing actions.

(j) Superior Proposal. By FULB if the FULB Board has adopted or indicated its intention to enter into a Superior Proposal after complying with all of FULB's obligations under Sections 6.5 and 6.6.

(k) Notice of Termination. In the event a party elects to effect any termination pursuant to Sections 8.1(b) through (d) or Section 8.1(f) above, it shall give written notice to the other parties hereto specifying the basis for such termination.

8.2 Liabilities and Remedies; Liquidated Damages; Expense Reimbursement.

(a) Fees and Expenses.

(i) Except as otherwise provided in this Section 8.2(a), all fees and expenses incurred in connection with this Agreement, the Merger and the other transactions contemplated hereby shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated.

(ii) In the event that this Agreement is terminated: (A) by BAY pursuant to Section 8.1(i); (B) by either BAY or FULB pursuant to Section 8.1(g) by reason of the failure to obtain the FULB Shareholder Approval following FULB taking any action described in Section 6.6 or (C) by FULB under Section 8.1(j), FULB shall pay to BAY a termination fee of \$1,500,000 (the "BAY Termination Fee") plus any Party Expenses of BAY and BHC. Payment of the BAY Termination Fee and Party Expenses shall be made by wire transfer of same day funds to the account or accounts designated by BAY as promptly as reasonably practicable after termination. The payment by FULB and the acceptance by BAY of the BAY Termination Fee and any Party Expenses of BAY pursuant to this Section 8.2(a)(ii) shall be the sole and exclusive remedy of BAY and BHC with a respect to the termination of this Agreement by BAY with respect to termination of the Agreement the Sections of the Agreement enumerated above in this Section 8.2(a)(ii).

(iii) In the event that this Agreement is terminated by BAY pursuant to Section 8.1(b)(ii) or by FULB pursuant to Section 8.1(b)(i) then the breaching party shall reimburse the non-breaching party all of its reasonable out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, investment bankers, experts and consultants to the non-breaching party) incurred by the non-breaching party or on its behalf in connection with or related to the authorization, preparation, investigation, negotiation, execution and performance of this Agreement and the transactions contemplated hereby (the "Party Expenses"), up to a maximum amount of \$400,000. Payment of the Party Expenses shall be made by wire transfer of same day funds to the account or accounts designated by the non-breaching party entitled to payment of the Party Expenses as promptly as reasonably possible after the breaching party having been notified of the amount thereof by the non-breaching party.

(iv) Each of FULB, UBB, BAY and BHC acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, FULB, UBB, BAY and BHC would not enter into this Agreement; accordingly, if any party fails promptly to pay any amounts due to the other party pursuant to this Section 8.2, and, in order to obtain such payment, the party to which any amount under this Section 8.2 is due and owing from the other party commences a suit that results in a judgment against such other party for the amounts set forth in this Section 8.2, the non-prevailing party shall pay to the prevailing party its costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amounts due pursuant to this Section 8.2 from the date such payment was required to be made until the date of payment at the prime lending rate as published in The Wall Street Journal in effect on the date such payment was required to be made.

(b) **Specific Performance.** The parties agree that irreparable damage, for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached (including failing to take such actions as are required of them hereunder to consummate this Agreement). Accordingly, except as otherwise set forth in Section 8.2(a)(ii), each of the parties shall be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any state or federal court, this being in addition to any other remedy to which such party is entitled at law or in equity. Each of the parties hereby further waives any defense in any action for specific performance that a remedy at law would be adequate.

ARTICLE IX

MISCELLANEOUS

9.1 **Survival of Representations, Warranties and Agreements.** No representations, warranties, covenants and agreements of the parties hereto set forth in this Agreement shall survive the Effective Time (other than agreements or covenants contained herein that by their terms are to be performed in whole or in part after the Effective Time) or the termination of this Agreement if this Agreement is terminated prior to the Effective Time (other than this Article IX, Section 6.4(c), 6.13 and Section 8.2(a)(ii)-(iii), which shall survive such termination).

9.2 **Waiver; Amendment.** Prior to the Effective Time, any provision of this Agreement may be (i) waived, by the party benefited by the provision or (ii) amended or modified at any time, by an agreement in writing among the parties hereto executed in the same manner as this Agreement.

9.3 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that each party need not sign the same counterpart.

9.4 **Governing Law.** This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of California applicable to contracts made and entirely to be performed within such state, without regard to any applicable conflicts of law principles that would require the application of the laws of any other jurisdiction.

9.5 **Waiver of Jury Trial.** Each party hereto acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of, or relating to, this Agreement, or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (a) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation,

seek to enforce the foregoing waiver, (b) each party understands and has considered the implications of this waiver, (c) each party makes this waiver voluntarily and (d) each party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 9.5.

9.6 Expenses. Except as otherwise provided for in Section 8.2, each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of its own financial consultants, accountants and counsel, provided that nothing contained herein shall limit either party's rights to recover any liabilities or damages arising out of the other party's fraud or willful breach of any provision of this Agreement.

9.7 Notices. All notices, requests and other communications hereunder to a party shall be in writing and shall be deemed given if personally delivered, telecopied (with confirmation) or mailed by registered or certified mail (return receipt requested) or delivered by an overnight courier (with confirmation) to such party at its address set forth below or such other address as such party may specify by notice to the parties hereto.

If to FULB or UBB:

First ULB Corp.
100 Hegenberger Road, Suite 220
Oakland, California 94621
Attention: Malcolm Hotchkiss, Chairman
Email: MHotchkiss@unitedbusinessbank.com

With a copy to:
Hogan Lovells
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
Attention: Richard A. Schaberg, Esq.
Email: richard.schaberg@hoganlovells.com

If to BAY or BHC:

Bay Commercial Bank
500 Ygnacio Valley Road, Suite 200
Walnut Creek, California 94596
Attention: George Guarini, President
Email: gguarini@bcb-ca.com

With a copy to:

Gary Steven Findley & Associates
3808 East La Palma Avenue

Anaheim, California 92807
Attention: Gary Steven Findley, Esq.
Email: gsf@findley-reports.com

9.8 **Entire Understanding; No Third-Party Beneficiaries.** This Agreement, the BAY Voting Agreements, the FULB Non-Competition and Voting Agreements, and the Confidentiality Agreement represent the entire understanding of the parties hereto and thereto with reference to the transactions contemplated hereby, and this Agreement, the BAY Voting Agreements, the FULB Non-Competition and Voting Agreements, and the Confidentiality Agreement supersede any and all other oral or written agreements heretofore made. Nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the parties hereto or their respective successors any rights, remedies, obligations or liabilities under or by reason of this Agreement.

9.9 **Severability.** If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and will in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination, the parties will negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

9.10 **Enforcement of the Agreement.** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. In the event attorneys' fees or other costs are incurred to secure performance of any of the obligations herein provided for, or to establish damages for the breach thereof, or to obtain any other appropriate relief, whether by way of prosecution or defense, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred therein.

9.11 **Interpretation.** When a reference is made in this Agreement to Sections, Annexes or Schedules, such reference shall be to a Section of, or Annex or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Whenever the words "as of the date hereof" are used in this Agreement, they shall be deemed to mean the day and year first above written.

9.12 **Assignment.** No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties.

Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

9.13 Alternative Structure. Notwithstanding any provision of this Agreement to the contrary, BAY and BHC may, after providing FULB at least 20 Business Days' written notice, modify the structure of the acquisition of FULB set forth herein, provided that (i) the consideration to be paid to the holders of FULB Common Stock is not (x) thereby changed in kind or reduced in amount as a result of such modification or (y) negatively impacted from a Tax perspective, and (ii) the change in structure does not materially delay the transaction. In the event BAY and BHC elect to make such a change, the parties agree to execute appropriate documents to reflect the change.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

BAY COMMERCIAL BANK

By: 
Its: President

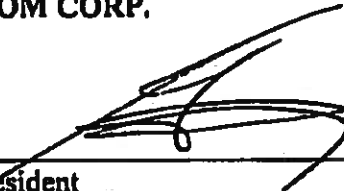
By: 
Its: Secretary

FIRST ULB CORP.

By: _____
Its: Chairman

By: _____
Its: Secretary

BAYCOM CORP.

By: 
Its: President

By: 
Its: Secretary

UNITED BUSINESS BANK, FSB

By: _____
Its: President

By: _____
Its: Secretary

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

BAY COMMERCIAL BANK

BAYCOM CORP.

By: _____
Its: President

By: _____
Its: President

By: _____
Its: Secretary

By: _____
Its: Secretary

FIRST ULB CORP.

UNITED BUSINESS BANK, FSB

By: M. J. Holsten
Its: Chairman

By: _____
Its: Chairman

By: J. M. Aguilar
Its: Secretary

By: Michael J. Dyer
Its: Secretary

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

BAY COMMERCIAL BANK

BAYCOM CORP.

By: _____
Its: President

By: _____
Its: President


By: _____
Its: Secretary

By: _____
Its: Secretary

FIRST ULB CORP.

UNITED BUSINESS BANK, FSB

By: _____
Its: Chairman

By: 
Its: Chairman

By: _____
Its: Secretary

By: _____
Its: Secretary

ANNEX A

Form of Non-Competition and FULB Voting Agreement Voting and Non-Competition Agreement

VOTING AND NON-COMPETITION AGREEMENT (this "Agreement"), dated as of December ____, 2016, by and among Bay Commercial Bank, a California banking corporation, ("BAY"), BayCom Corp, a California corporation ("BHC"), First ULB Corp., a California corporation and savings and loan holding company ("FULB") and United Business Bank, FSB, a federally-chartered savings and loan ("UBB"), and the undersigned non-employee member of the Board of Directors of FULB and/or UBB ("Shareholder").

WHEREAS, BAY, BHC, FULB and UBB, are entering into an Agreement and Plan of Reorganization and Merger of even date herewith (including all annexes and/or schedules attached thereto, and as it may be amended, the "Merger Agreement"), pursuant to which FULB will merge with and into BHC on the terms and conditions set forth therein (the "Merger") and, in connection therewith, all outstanding shares of FULB Common Stock will be converted into the Per Share Merger Consideration in the manner set forth therein. Unless otherwise indicated, capitalized terms used and not defined herein shall have the meanings set forth in the Merger Agreement.

WHEREAS, the Shareholder owns shares of FULB Common Stock (such shares, together with all shares of capital stock, if any, subsequently acquired by the Shareholder during the term of this Agreement, being referred to as the "Shares"), and, as a result, the Shareholder has a material economic interest in the consummation of the Merger.

WHEREAS, in order to induce BAY, BHC, FULB and UBB, to enter into the Merger Agreement, the Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Agreement to Vote Shares. The Shareholder agrees that, from the date hereof until the earliest to occur of (a) the Effective Time, (b) such date and time as the Merger Agreement shall be terminated, or (c) upon mutual written agreement of the parties hereto to terminate this Agreement, at any meeting of the shareholders of FULB, or in connection with any written consent of the shareholders of FULB, the Shareholder shall:

(a) appear at each such meeting or otherwise cause the Shares to be counted as present thereat for purposes of establishing a quorum; and

(b) vote (or cause to be voted), in person or by proxy, or deliver a written consent (or cause a consent to be delivered) covering, all of the Shares (whether acquired heretofore or hereafter) that are owned of record or beneficially by the Shareholder or as to which the Shareholder has, directly or indirectly, the right to vote or direct the voting: (i) in favor of approval and adoption of the Merger Agreement, the Merger and any other transactions contemplated by the Merger Agreement; (ii) against any action or agreement that could reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of FULB or UBB contained in the Merger Agreement or of the Shareholder contained in this Agreement; and (iii) against any action, agreement or transaction that is intended, or could reasonably be expected, to materially impede, interfere or be inconsistent with, delay, postpone, discourage or materially and adversely affect consummation of the Merger or the performance by the Shareholder of his/her obligations under this Agreement.

2. Transfer of Shares.

(a) Prohibition on Transfers of Shares; Other Actions. The Shareholder hereby agrees that while this Agreement is in effect, the Shareholder shall not, except with the prior written approval of BAY, (i) sell, transfer, pledge, encumber, distribute by gift or donation, or otherwise dispose of any of the Shares (or any securities convertible into or exercisable or exchangeable for the Shares) or any interest therein, whether by actual disposition, physical settlement or effective economic disposition through hedging transactions, derivative instruments or other means, (ii) enter into any agreement, arrangement or understanding with any Person, or take any other action, that violates or conflicts with or could reasonably be expected to violate or conflict with the Shareholder's representations, warranties, covenants and obligations under this Agreement, or (iii) take any other action that could reasonably be expected to impair or otherwise adversely affect, in any material respect, the Shareholder's power, authority and ability to comply with and perform his/her covenants and obligations under this Agreement. Notwithstanding the foregoing, the Shareholder may make (w) transfers of Shares by will or by operation of law, subject to the transferee agreeing in writing to be bound by the terms of, and perform the obligations of the Shareholder under, this Agreement, (x) transfers of Shares in connection with estate and charitable planning purposes, including transfers to relatives, trusts and charitable organizations, subject to the transferee agreeing in writing to be bound by the terms of, and perform the obligations of the Shareholder under, this Agreement, (y) disposition of Shares to UBB or FULB solely to satisfy required withholding tax obligations applicable upon the vesting of restricted shares of Common Stock, and (z) as BAY may otherwise agree in writing in its sole discretion

(b) Transfer of Voting Rights. The Shareholder hereby agrees that he/she shall not deposit any Shares in a voting trust, grant any proxy or, other than this Agreement, enter into any voting agreement or similar agreement or arrangement with respect to any of the Shares.

3. Shareholder Support. Shareholder agrees that for a period of two (2) years from the Effective Time, unless (i) the Merger is not consummated, (ii) the Merger Agreement is

terminated in accordance with its terms or (iii) the parties hereto mutually agree to terminate this Agreement and as a result of the foregoing this Agreement is terminated, to use his/her commercially reasonable efforts to support and refrain from (a) disparaging the goodwill of BAY and BHC and their subsidiaries and FULB and UBB, (b) harming their respective customer and client relationships, and (c) disparaging the business or banking reputation of BAY or BHC. The term "Effective Time" for purposes of this Agreement shall be the date the Merger is effective as provided for in Section 4887(b) of the California Financial Code

4. Shareholder Covenants.

(a) Definitions:

(i) "Restricted Period" shall mean the period commencing on the Effective Time and ending on the two (2) year anniversary of the Effective Time.

(ii) "Restricted Territory" shall mean (A) the following California Counties: Alameda, San Francisco, Santa Clara, Los Angeles, and Sacramento, (B) King County, Washington and (C) Bernalillo County, New Mexico, all of which are geographic regions where the UBB Entities currently transact business.

(iii) "Competing Business Purpose" means any business, enterprise, operation, activity or service that provides the products or services of the UBB Entities as such exist or are contemplated as of the Effective Time.

(iv) "Financial Institution" means a "depository institution" as that term is defined in 12 C.F.R. Section 348.2 and any parent or subsidiary thereof.

(v) "UBB Entities" shall mean and refer to UBB and FULB, individually and together.

(b) Shareholder agrees that during the Restricted Period and anywhere in the Restricted Territory, Shareholder shall not, directly or indirectly, individually or as an employee, partner, officer, director, promoter or shareholder or in any other capacity whatsoever, except in the performance of customary legal, accounting, insurance, or investment or investment management services as performed at the time of execution of the Agreement or of a similar nature:

(i) solicit the banking business of any current customer of the UBB Entities or BAY, or those whom were customers of the UBB Entities or BAY at any time prior to the Effective Time;

(ii) acquire, charter, operate, enter into any franchise or other management agreement with, or establish or operate a branch or other office of, any "Financial Institution," in which Shareholder shall be involved in a Competing Business Purpose;

(iii) serve as an officer, director, employee, agent, promoter, or consultant to any Financial Institution (whether in existence or in organization) in connection

with any Competing Business Purpose, or establish or operate a branch or other office of a Financial Institution in the Restricted Territory.

(iv) encourage, recruit, induce, solicit, or attempt to solicit for employment any person that is a current employee of BAY or the UBB Entities or who was an employee of BAY or the UBB Entities within the twelve (12) months immediately preceding to the date of the recruitment or solicitation; provided, however, that this prohibition shall not apply to general recruitment, solicitations and/or hires through employment agencies or advertisements that are placed in publications of general circulations or trade journals whether on the internet or otherwise.

(c) Shareholder further agrees that Shareholder shall not, prior to the Effective Time, recruit, solicit, encourage, induce, assist others in recruiting or hiring, discuss employment with, or refer others concerning employment, any person who is, or within the preceding twelve (12) months was, an employee of the UBB Entities or BAY.

(d) If any court of competent jurisdiction should determine that any term or terms of this covenant are too broad with respect to time, geographic area, lines of commerce or otherwise, such court shall modify and revise any such term or terms so that they comply with applicable law.

(e) Shareholder agrees that (i) this Agreement is entered into in connection with the conveyance to BAY and BHC of the goodwill of the businesses of the UBB Entities; (ii) Shareholder is receiving valuable consideration in this Agreement and in the Merger pursuant to the Merger Agreement; (iii) the restrictions imposed upon Shareholder by this Agreement are essential and necessary to ensure that BAY and BHC receive the goodwill of the UBB Entities; and (iv) all the restrictions (including particularly the time and geographical limitations) set forth in this Agreement are fair and reasonable.

Notwithstanding the foregoing, nothing in this Agreement shall require the Shareholder to (i) divest any passive investment in any Financial Institution existing as of the date of this Agreement or the Effective Time, (ii) refrain from becoming a shareholder of no more than 4.9% of any class of equity security or debt security or other ownership interest of any Financial Institution, or (iii) resign from any board position held at any Financial Institution as of the date of this Agreement or Effective Time. In the event that the Shareholder holds a passive investment, becomes a shareholder or currently serves on a board of a Financial Institution as outlined in this Section 4(f), such Shareholder will still be subject to the duties outlined in Sections 4(b) and (c) above.

5. Release.

(a) Shareholder acknowledges that he/she is aware of no existing claim or defense, personal or otherwise, or rights of set off whatsoever against FULB or UBB, except as expressly provided herein. For and in consideration of the consummation of the Merger and the other transactions contemplated by the Merger Agreement, Shareholder, for himself/herself and on behalf of his/her heirs and assigns (the "Shareholder Releasing Parties"), releases, acquits and

forever discharges FULB, UBB, and its respective predecessors, successors, assigns, officers, directors, employees, agents and servants, and all persons, natural or corporate, in privity with them or any of them, from any and all known claims or causes of action of any kind whatsoever, at common law, statutory or otherwise, which the Shareholder Releasing Parties, or any of them, has now existing or that may hereafter arise in respect of any and all agreements and obligations incurred on or prior to the date hereof, or in respect of any event occurring or circumstances existing on or prior to the date hereof; *provided, however*, that FULB and UBB shall not be released from any written contractual obligations or accrued benefits of FULB and UBB to Shareholder existing as of the date hereof or any potential claim for indemnification under FULB's articles of incorporation or bylaws or UBB's federal stock association charter or bylaws (in each case as in existence on the date hereof) for any matters arising in connection with the Shareholder's service as a director or officer or employee of FULB and/or UBB relating to acts, circumstances, actions or omissions arising on or prior to the date hereof to the extent such claims have not been asserted or are not known to Shareholder.

(b) It is expressly understood and agreed that the terms hereof are contractual and not merely recitals, and that the agreements herein contained and the consideration herein transferred is to compromise doubtful and disputed claims, and that no releases made or other consideration given hereby or in connection herewith shall be construed as an admission of liability, all liability being expressly denied by FULB and UBB. Shareholder hereby represents and warrants that the consideration hereby acknowledged for entering into this Agreement and the transactions contemplated hereby is greater than the value of all claims, demands, actions and causes of action herein relinquished, released, renounced, abandoned, acquitted, waived and/or discharged, and that this Agreement is in full settlement, satisfaction and discharge of any and all such claims, demands, actions, and causes of action that Shareholder may have or be entitled to against FULB and/or UBB and its respective predecessors, assigns, legal representatives, officers, directors, employees, attorneys and agents other than obligations or liabilities to Shareholder in connection with any written contractual obligations or accrued benefits of FULB and/or UBB to Shareholder as set forth on Schedule 1 attached hereto.

6. Representations and Warranties of the Shareholder. The Shareholder represents and warrants to each of BAY, BHC, FULB and UBB that the following statements are true and correct and not misleading:

(a) Capacity. The Shareholder has all requisite capacity and authority to enter into and perform his/her obligations under this Agreement.

(b) Binding Agreement. This Agreement has been duly executed and delivered by the Shareholder and (assuming this Agreement constitutes a valid and binding agreement of all other parties hereto) constitutes the valid and legally binding obligation of the Shareholder, except as may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Non-Contravention. The execution and delivery of this Agreement by the Shareholder does not, and the performance by the Shareholder of his/her obligations hereunder

and the consummation by the Shareholder of the transactions contemplated hereby will not, violate or conflict with, or constitute a default under, any agreement, instrument, contract or other obligation or any order, arbitration award, judgment or decree to which the Shareholder is a party or by which the Shareholder is bound, or any statute, rule or regulation to which the Shareholder is subject.

(d) Ownership. The Shares are, and through the term of this Agreement will be, owned beneficially and of record by the Shareholder or otherwise controlled by him/her. The Shareholder has good and marketable title to the Shares, free and clear of any lien, pledge, mortgage, security interest or other encumbrance. As of the date hereof, this Shareholder is the beneficial and record owner of, or otherwise holds voting power with respect to _____ shares of FULB Common Stock. The Shareholder has and will have at all times during the term of this Agreement (i) voting power and power to issue instructions with respect to the matters set forth in Section 1 hereof, (ii) power of disposition, and (iii) power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Shares owned by the Shareholder on the date of this Agreement and all of the Shares hereafter acquired by the Shareholder and owned beneficially or of record by, directly or indirectly, by Shareholder during the term of this Agreement. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Exchange Act, provided that a Person shall be deemed to beneficially own any securities which may be acquired by such Person pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise (irrespective of whether the right to acquire such securities is exercisable immediately or only after the passage of time, including the passage of time within 60 days, the satisfaction of any conditions, the occurrence of any event or any combination of the foregoing).

(e) Consents and Approvals. The Shareholder has taken all actions necessary to approve the actions contemplated by this Agreement. The execution and delivery of this Agreement by the Shareholder does not, and the performance by the Shareholder of his/her obligations under this Agreement and the consummation by the Shareholder of the transactions contemplated hereby will not, require the Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(f) Absence of Litigation. There is no suit, action, investigation or proceeding pending or, to the knowledge of the Shareholder, threatened against or affecting the Shareholder or any of his/her affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of the Shareholder to perform his/her obligations hereunder or to consummate the transactions contemplated hereby on a timely basis.

7. Specific Performance and Remedies. The Shareholder acknowledges that it will be impossible to measure in money the damage to BAY, BHC, FULB and UBB if the Shareholder fails to comply with the obligations imposed by this Agreement and that, in the event of any such failure, none of BAY, BHC, FULB or UBB will have an adequate remedy at law. Accordingly, the Shareholder agrees that injunctive relief or other equitable remedy, in addition to remedies at law or in damages, is the appropriate remedy of BAY, BHC, FULB and

UBB for any such failure and will not oppose the granting of such relief on the basis that BAY, BHC, FULB or UBB may have an adequate remedy at law. The Shareholder agrees that he/she will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with BAY's, BHC's, FULB's or UBB's seeking or obtaining such equitable relief.

8. Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby authorizes and instructs FULB to instruct its transfer agent, if any, to enter a stop transfer order with respect to all of the Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 1.

9. Confidentiality. The Shareholder agrees (a) to hold any and all information regarding this Agreement, the Merger and the Merger Agreement in strict confidence, and (b) not to divulge any information regarding this Agreement, the Merger or the Merger Agreement to any third person, until such time as the Merger has been publicly announced by BAY, FULB and UBB, at which time the Shareholder may only divulge such information as has been publicly disclosed by BAY, FULB and UBB.

10. Entire Agreement. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended, supplemented or modified, and no provisions hereof may be modified or waived, except by an instrument in writing signed by each party hereto. No waiver of any provisions hereof by any party shall be deemed a waiver of any other provisions hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

11. Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements, in addition to any other relief to which the prevailing party is entitled.

12. Severability. If any provision of this Agreement or the application of such provision to any person or circumstances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability, and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

13. Notices. All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by telecopy or like transmission and on the next Business Day when sent by a reputable overnight courier service to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to BAY or BHC:

Bay Commercial Bank
500 Ygnacio Valley Road, Suite 2000
Walnut Creek, CA 94536
Attention: George Guarini, President
Telephone: (925) 476-1800
Facsimile: (925) 476-1746

With a copy to:

Gary Steven Findley & Associates
3808 East La Palma Avenue
Anaheim, CA 92807
Attention: Gary Steven Findley, Esq.
Telephone: (714) 630-7136
Facsimile: (714) 630-7910

If to FULB or UBB:

First ULB Corp.
100 Hegenberger Road, Suite 220
Oakland, CA 94621
Attention: Malcolm Hotchkiss, Chairman
Telephone: (510) 567-6900
Facsimile: (510) 632-2169

With a copy to:

Hogan Lovells
Columbia Square
555 Thirteenth Street, NW
Washington, D.C. 20004
Attention: Richard A. Schaberg, Esq.
Telephone: (202) 637-5600
Facsimile: (202) 637-5910

If to the Shareholder, at the address of the Shareholder appearing on the signature page of this Agreement.

14. Assignment; Binding Effect. No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

15. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of California applicable to contracts made and entirely to be performed within such state, without regard to any applicable conflicts of law principles that would require the application of the laws of any other jurisdiction.

16. Independent Review and Advice. The Shareholder represents and warrants that he/she has carefully read this Agreement; that the Shareholder executes this Agreement with full knowledge of the contents of this Agreement, the legal consequences thereof, and any and all rights which any party may have with respect to the other parties; that the Shareholder has had the opportunity to receive independent legal advice with respect to the matters set forth in this Agreement and with respect to the rights and asserted rights arising out of such matters, and that the Shareholder is entering into this Agreement of his/her own free will. The Shareholder expressly agrees that there are no expectations contrary to this Agreement and no usage of trade or regular practice in the industry shall be used to modify this Agreement. The parties agree that this Agreement shall not be construed for or against any party in any interpretation thereof.

17. Headings. The descriptive headings of the Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

18. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party hereto and delivered to each party hereto.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

BAY COMMERCIAL BANK

By: _____
Name: _____
Title: _____

BAYCOM CORP

By: _____
Name: _____
Title: _____

FIRST ULB CORP.

By: _____
Name: _____
Title: _____

UNITED BUSINESS BANK, FSB

By: _____
Name: _____
Title: _____

SHAREHOLDER

Name: _____
Address: _____

Schedule 1

Benefits

ANNEX B

Form of BAY Voting Agreement Voting Agreement

VOTING AGREEMENT (this "Agreement"), dated as of December ___, 2016, by and among Bay Commercial Bank, a California banking corporation, ("BAY"), BayCom Corp, a California corporation ("BHC"), First ULB Corp., a California corporation ("FULB") and United Business Bank, FSB, a federally-chartered savings and loan ("UBB"), and the undersigned member of the Board of Directors and or executive officer of BAY ("Shareholder").

WHEREAS, BAY, BHC, FULB and UBB, are entering into an Agreement and Plan of Reorganization and Merger of even date herewith (including all annexes and/or schedules attached thereto, and as it may be amended, the "Merger Agreement"), pursuant to which FULB will merge with and into BHC on the terms and conditions set forth therein (the "Merger") and, in connection therewith, all outstanding shares of FULB Common Stock will be converted into the Per Share Merger Consideration in the manner set forth therein. Unless otherwise indicated, capitalized terms used and not defined herein shall have the meanings set forth in the Merger Agreement.

WHEREAS, the Shareholder owns shares of BAY Common Stock (such shares, together with all shares of capital stock, if any, subsequently acquired by the Shareholder during the term of this Agreement, being referred to as the "Shares"), and, as a result, the Shareholder has a material economic interest in the consummation of the Merger.

WHEREAS, in order to induce BAY, BHC, FULB and UBB to enter into the Merger Agreement, the Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Agreement to Vote Shares. The Shareholder agrees that at any meeting of the shareholders of BAY and/BHC, or in connection with any written consent of the shareholders of BAY and/or BHC, the Shareholder shall:

(a) appear at each such meeting or otherwise cause the Shares to be counted as present thereat for purposes of establishing a quorum; and

(b) vote (or cause to be voted), in person or by proxy, or deliver a written consent (or cause a consent to be delivered) covering, all of the Shares (whether acquired heretofore or hereafter) that are owned of record or beneficially by the Shareholder or as to which the Shareholder has, directly or indirectly, the right to vote or direct the voting: (i) in favor of adoption and approval of the Merger Agreement, the Merger and any other transactions contemplated by the Merger Agreement; (ii) against any action or agreement that could

reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of BAY or BHC contained in the Merger Agreement or of the Shareholder contained in this Agreement; and (iii) against any action, agreement or transaction that is intended, or could reasonably be expected, to materially impede, interfere or be inconsistent with, delay, postpone, discourage or materially and adversely affect consummation of the Merger or the performance by the Shareholder of his/her obligations under this Agreement.

2. Transfer of Shares.

(a) Prohibition on Transfers of Shares; Other Actions. The Shareholder hereby agrees that while this Agreement is in effect, the Shareholder shall not, except with the prior written approval of FULB, (i) sell, transfer, pledge, encumber, distribute by gift or donation, or otherwise dispose of any of the Shares (or any securities convertible into or exercisable or exchangeable for the Shares) or any interest therein, whether by actual disposition, physical settlement or effective economic disposition through hedging transactions, derivative instruments or other means, (ii) enter into any agreement, arrangement or understanding with any Person, or take any other action, that violates or conflicts with or could reasonably be expected to violate or conflict with the Shareholder's representations, warranties, covenants and obligations under this Agreement, or (iii) take any other action that could reasonably be expected to impair or otherwise adversely affect, in any material respect, the Shareholder's power, authority and ability to comply with and perform his/her covenants and obligations under this Agreement.

(b) Transfer of Voting Rights. The Shareholder hereby agrees that he/she shall not deposit any Shares in a voting trust, grant any proxy or, other than this Agreement, enter into any voting agreement or similar agreement or arrangement with respect to any of the Shares.

3. Representations and Warranties of the Shareholder. The Shareholder represents and warrants to each of BAY, BHC, FULB and UBB that the following statements are true and correct and not misleading:

(a) Capacity. The Shareholder has all requisite capacity and authority to enter into and perform his/her obligations under this Agreement.

(b) Binding Agreement. This Agreement has been duly executed and delivered by the Shareholder and constitutes the valid and legally binding obligation of the Shareholder, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Non-Contravention. The execution and delivery of this Agreement by the Shareholder does not, and the performance by the Shareholder of his/her obligations hereunder

and the consummation by the Shareholder of the transactions contemplated hereby will not, violate or conflict with, or constitute a default under, any agreement, instrument, contract or other obligation or any order, arbitration award, judgment or decree to which the Shareholder is a party or by which the Shareholder is bound, or any statute, rule or regulation to which the Shareholder is subject.

(d) Ownership. The Shares are, and through the term of this Agreement will be, owned beneficially and of record by the Shareholder or otherwise controlled by him/her. The Shareholder has good and marketable title to the Shares, free and clear of any lien, pledge, mortgage, security interest or other encumbrance. As of the date hereof, this Shareholder is the beneficial and record owner of, or otherwise holds voting power with respect to _____ shares of BAY Common Stock. The Shareholder has and will have at all times during the term of this Agreement (i) voting power and power to issue instructions with respect to the matters set forth in Section 1 hereof, (ii) power of disposition and (iii) power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Shares owned by the Shareholder on the date of this Agreement and all of the Shares hereafter acquired by the Shareholder and owned beneficially or of record by, directly or indirectly, by Shareholder during the term of this Agreement. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Exchange Act, provided that a Person shall be deemed to beneficially own any securities which may be acquired by such Person pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise (irrespective of whether the right to acquire such securities is exercisable immediately or only after the passage of time, including the passage of time within 60 days, the satisfaction of any conditions, the occurrence of any event or any combination of the foregoing).

(e) Consents and Approvals. The Shareholder has taken all actions necessary to approve the actions contemplated by this Agreement. The execution and delivery of this Agreement by the Shareholder does not, and the performance by the Shareholder of his/her obligations under this Agreement and the consummation by the Shareholder of the transactions contemplated hereby will not, require the Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(f) Absence of Litigation. There is no suit, action, investigation or proceeding pending or, to the knowledge of the Shareholder, threatened against or affecting the Shareholder or any of his/her affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of the Shareholder to perform his/her obligations hereunder or to consummate the transactions contemplated hereby on a timely basis.

4. Specific Performance and Remedies. The Shareholder acknowledges that it will be impossible to measure in money the damage to BAY, BHC, FULB and UBB if the Shareholder fails to comply with the obligations imposed by this Agreement and that, in the event of any such failure, none of BAY, BHC, FULB or UBB will have an adequate remedy at law. Accordingly, the Shareholder agrees that injunctive relief or other equitable remedy, in

addition to remedies at law or in damages, is the appropriate remedy of BAY, BHC, FULB and UBB for any such failure and will not oppose the granting of such relief on the basis that BAY, BHC, FULB or UBB may have an adequate remedy at law. The Shareholder agrees that he/she will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with BAY's, BHC's, FULB's or UBB's seeking or obtaining such equitable relief.

5. Term of Agreement; Termination. The term of this Agreement shall commence on the date hereof. In the event the Merger is not consummated and the Merger Agreement is terminated in accordance with its terms (other than as a result of a breach of this Agreement), this Agreement shall be null and void.

6. Stop Transfer Order. In furtherance of this Agreement, the Shareholder hereby authorizes and instructs BAY to instruct its transfer agent, if any, to enter a stop transfer order with respect to all of the Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 5.

7. Confidentiality. The Shareholder agrees (a) to hold any and all information regarding this Agreement, the Merger and the Merger Agreement in strict confidence, and (b) not to divulge any information regarding this Agreement, the Merger or the Merger Agreement to any third person, until such time as the Merger has been publicly announced by BAY, BHC, FULB and UBB, at which time the Shareholder may only divulge such information as has been publicly disclosed by BAY, BHC, FULB and UBB.

8. Entire Agreement. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended, supplemented or modified, and no provisions hereof may be modified or waived, except by an instrument in writing signed by each party hereto. No waiver of any provisions hereof by any party shall be deemed a waiver of any other provisions hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

9. Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements, in addition to any other relief to which the prevailing party is entitled.

10. Severability. If any provision of this Agreement or the application of such provision to any person or circumstances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability, and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

11. Notices. All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by telecopy or like transmission and on the next Business Day when sent by a reputable overnight courier service to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to BAY or BHC:

Bay Commercial Bank
500 Ygnacio Valley Road, Suite 2000
Walnut Creek, CA 94536
Attention: George Guarini, President
Telephone: (925) ____-____
Facsimile: (925) 476-1746

With a copy to:

Gary Steven Findley & Associates
3808 East La Palma Avenue
Anaheim, CA 92807
Attention: Gary Steven Findley, Esq.
Telephone: (714) 630-7136
Facsimile: (714) 630-7910

If to FULB or UBB:

First ULB Corp.
100 Hegenberger Road, Suite 220
Oakland, CA 94621
Attention: Malcolm Hotchkiss, Chairman
Telephone: (____) ____-____
Facsimile: (____) ____-____

With a copy to:

Hogan Lovells
Columbia Square
555 Thirteenth Street, NW
Washington, D.C. 20004
Attention: Richard A. Schaberg, Esq.
Telephone: (202) 637-5600
Facsimile: (202) ____-____

If to the Shareholder, at the address of the Shareholder appearing on the signature page of this Agreement.

12. **Assignment; Binding Effect.** No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

13. **Governing Law.** This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of California applicable to contracts made and entirely to be performed within such state, without regard to any applicable conflicts of law principles that would require the application of the laws of any other jurisdiction.

14. **Independent Review and Advice.** The Shareholder represents and warrants that he/she has carefully read this Agreement; that the Shareholder executes this Agreement with full knowledge of the contents of this Agreement, the legal consequences thereof, and any and all rights which any party may have with respect to the other parties; that the Shareholder has had the opportunity to receive independent legal advice with respect to the matters set forth in this Agreement and with respect to the rights and asserted rights arising out of such matters, and that the Shareholder is entering into this Agreement of his/her own free will. The Shareholder expressly agrees that there are no expectations contrary to this Agreement and no usage of trade or regular practice in the industry shall be used to modify this Agreement. The parties agree that this Agreement shall not be construed for or against any party in any interpretation thereof.

15. **Headings.** The descriptive headings of the Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

16. **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party hereto and delivered to each party hereto.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

BAY COMMERCIAL BANK

By: _____
Name: _____
Title: _____

BAYCOM CORP

By: _____
Name: _____
Title: _____

FIRST ULB CORP.

By: _____
Name: _____
Title: _____

UNITED BUSINESS BANK, FSB

By: _____
Name: _____
Title: _____

SHAREHOLDER

Name: _____
Address: _____

APPENDIX B

**CALIFORNIA CORPORATIONS CODE
TITLE 1. CORPORATIONS
DIVISION 1. GENERAL CORPORATION LAW**

CHAPTER 13. Dissenters' Rights

1300. Reorganization or Short Form Merger; dissenting shares; corporate purchase at the fair market value; definitions

(a) If the approval of the outstanding shares (Section 152) of a corporation is required for a reorganization under subdivisions (a) and (b) or subdivision (e) or (f) of Section 1201, each shareholder of the corporation entitled to vote on the transaction and each shareholder of a subsidiary corporation in a short-form merger may, by complying with this chapter, require the corporation in which the shareholder holds shares to purchase for cash at their fair market value the shares owned by the shareholder which are dissenting shares as defined in subdivision (b). The fair market value shall be determined as of the day before the first announcement of the terms of the proposed reorganization or short-form merger, excluding any appreciation or depreciation in consequence of the proposed action, but adjusted for any stock split, reverse stock split, or share dividend which becomes effective thereafter.

(b) As used in this chapter, "dissenting shares" means shares which come within all of the following descriptions:

(1) Which were not immediately prior to the reorganization or short-form merger either (A) listed on any national securities exchange certified by the Commissioner of Corporations under subdivision (o) of Section 25100 or (B) listed on the list of OTC margin stocks issued by the Board of Governors of the Federal Reserve System, and the notice of meeting of shareholders to act upon the reorganization summarizes this section and Sections 1301, 1302, 1303 and 1304; provided, however, that this provision does not apply to any shares with respect to which there exists any restriction on transfer imposed by the corporation or by any law or regulation; and provided, further, that this provision does not apply to any class of shares described in subparagraph (A) or (B) if demands for payment are filed with respect to 5 percent or more of the outstanding shares of that class.

(2) Which were outstanding on the date for the determination of shareholders entitled to vote on the reorganization and (A) were not voted in favor of the reorganization or, (B) if described in subparagraph (A) or (B) of paragraph (1) (without regard to the provisos in that paragraph), were voted against the reorganization, or which were held of record on the effective date of a short-form merger; provided, however, that subparagraph (A) rather than subparagraph (B) of this paragraph applies in any case where the approval required by Section 1201 is sought by written consent rather than at a meeting.

(3) Which the dissenting shareholder has demanded that the corporation purchase at their fair market value, in accordance with Section 1301.

(4) Which the dissenting shareholder has submitted for endorsement, in accordance with Section 1302.

(c) As used in this chapter, "dissenting shareholder" means the recordholder of dissenting shares and includes a transferee of record.

1301. Notice to holders of dissenting shares in reorganizations; demand for purchase; time contents

(a) If, in the case of a reorganization, any shareholders of a corporation have a right under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, to require the corporation to purchase their shares for cash, such corporation shall mail to each such shareholder a notice of the approval of the reorganization by its outstanding shares (Section 152) within 10 days after the date of such approval, accompanied by a copy of Sections 1300, 1302, 1303, 1304 and this section, a statement of the price determined by the corporation to represent the fair market value of the dissenting shares, and a brief description of the procedure to be followed if the shareholder desires to exercise the shareholder's right under such sections. The statement of price constitutes an offer by the corporation to purchase at the price stated any dissenting shares as defined in subdivision (b) of Section 1300, unless they lose their status as dissenting shares under Section 1309.

(b) Any shareholder who has a right to require the corporation to purchase the shareholder's shares for cash under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, and who desires the corporation to purchase such shares shall make written demand upon the corporation for the purchase of such shares and payment to the shareholder in cash of their fair market value. The demand is not effective for any purpose unless it is received by the corporation or any transfer agent thereof (1) in the case of shares described in clause (i) or (ii) of paragraph (1) of subdivision (b) of Section 1300 (without regard to the provisos in that paragraph), not later than the date of the shareholders' meeting to vote upon the reorganization, or (2) in any other case within 30 days after the date on which the notice of the approval by the outstanding shares pursuant to subdivision (a) or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(c) The demand shall state the number and class of the shares held of record by the shareholder which the shareholder demands that the corporation purchase and shall contain a statement of what such shareholder claims to be the fair market value of those shares as of the day before the announcement of the proposed reorganization or short-form merger. The statement of fair market value constitutes an offer by the shareholder to sell the shares at such price.

1302. Submission of share certificates for endorsement; uncertificated securities

Within 30 days after the date on which notice of the approval by the outstanding shares or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, the shareholder shall submit to the corporation at its principal office or at the office of any transfer agent thereof, (a) if the shares are certificated securities, the shareholder's certificates representing any shares which the shareholder demands that the corporation purchase, to be stamped or endorsed with a statement that the shares are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed or (b) if the shares are uncertificated securities, written notice of the number of shares which the shareholder demands that the corporation purchase. Upon subsequent transfers of the dissenting shares on the books of the corporation, the new certificates, initial transaction statement, and other written statements

issued therefor shall bear a like statement, together with the name of the original dissenting holder of the shares.

1303. Payment of agreed price with interest; agreement fixing fair market value; filing time of payment

(a) If the corporation and the shareholder agree that the shares are dissenting shares and agree upon the price of the shares, the dissenting shareholder is entitled to the agreed price with interest thereon at the legal rate on judgments from the date of the agreement. Any agreements fixing the fair market value of any dissenting shares as between the corporation and the holders thereof shall be filed with the secretary of the corporation.

(b) Subject to the provisions of Section 1306, payment of the fair market value of dissenting shares shall be made within 30 days after the amount thereof has been agreed or within 30 days after any statutory or contractual conditions to the reorganization are satisfied, whichever is later, and in the case of certificated securities, subject to surrender of the certificates therefor, unless provided otherwise by agreement.

1304. Action to determine whether shares are dissenting shares or fair market value; limitation; joint; consolidation; determination of issues; appointment of appraisers

(a) If the corporation denies that the shares are dissenting shares, or the corporation and the shareholder fail to agree upon the fair market value of the shares, then the shareholder demanding purchase of such shares as dissenting shares or any interested corporation, within six months after the date on which notice of the approval by the outstanding shares (Section 152) or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, but not thereafter, may file a complaint in the superior court of the proper county praying the court to determine whether the shares are dissenting shares or the fair market value of the dissenting shares or both or may intervene in any action pending on such a complaint.

(b) Two or more dissenting shareholders may join as plaintiffs or be joined as defendants in any such action and two or more such actions may be consolidated.

(c) On the trial of the action, the court shall determine the issues. If the status of the shares as dissenting shares is in issue, the court shall first determine that issue. If the fair market value of the dissenting shares is in issue, the court shall determine, or shall appoint one or more impartial appraisers to determine, the fair market value of the shares.

1305. Report of appraisers; confirmation; determination by court; judgment; payment; appeal; costs

(a) If the court appoints an appraiser or appraisers, they shall proceed forthwith to determine the fair market value per share. Within the time fixed by the court, the appraisers, or a majority of them, shall make and file a report in the office of the clerk of the court. Thereupon, on the motion of any party, the report shall be submitted to the court and considered on such evidence as the court considers relevant. If the court finds the report reasonable, the court may confirm it.

(b) If a majority of the appraisers appointed fail to make and file a report within 10 days from the date of their appointment or within such further time as may be allowed by the court or the report is not confirmed by the court, the court shall determine the fair market value of the dissenting shares.

(c) Subject to the provisions of Section 1306, judgment shall be rendered against the corporation for payment of an amount equal to the fair market value of each dissenting share multiplied by the number of dissenting shares which any dissenting shareholder who is a party, or who has intervened, is entitled to require the corporation to purchase, with interest thereon at the legal rate from the date on which judgment was entered.

(d) Any such judgment shall be payable forthwith with respect to uncertificated securities and, with respect to certificated securities, only upon the endorsement and delivery to the corporation of the certificates for the shares described in the judgment. Any party may appeal from the judgment.

(e) The costs of the action, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable, but, if the appraisal exceeds the price offered by the corporation, the corporation shall pay the costs (including in the discretion of the court attorneys' fees, fees of expert witnesses and interest at the legal rate on judgments from the date of compliance with Sections 1300, 1301 and 1302 if the value awarded by the court for the shares is more than 125 percent of the price offered by the corporation under subdivision (a) of Section 1301).

1306. Prevention of immediate payment; status as creditors; interest

To the extent that the provisions of Chapter 5 prevent the payment to any holders of dissenting shares of their fair market value, they shall become creditors of the corporation for the amount thereof together with interest at the legal rate on judgments until the date of payment, but subordinate to all other creditors in any liquidation proceeding, such debt to be payable when permissible under the provisions of Chapter 5.

1307. Dividends on dissenting shares

Cash dividends declared and paid by the corporation upon the dissenting shares after the date of approval of the reorganization by the outstanding shares (Section 152) and prior to payment for the shares by the corporation shall be credited against the total amount to be paid by the corporation therefor.

1308. Rights of dissenting shareholders pending valuation; withdrawal and demand for payment

Except as expressly limited in this chapter, holders of dissenting shares continue to have all the rights and privileges incident to their shares, until the fair market value of their shares is agreed upon or determined. A dissenting shareholder may not withdraw a demand for payment unless the corporation consents thereto.

1309. Termination of dissenting shareholder status

Dissenting shares lose their status as dissenting shares and the holders thereof cease to be dissenting shareholders and cease to be entitled to require the corporation to purchase their shares upon the happening of any of the following:

(a) The corporation abandons the reorganization. Upon abandonment of the reorganization, the corporation shall pay on demand to any dissenting shareholder who has initiated proceedings in good faith under this chapter all necessary expenses incurred in such proceedings and reasonable attorneys' fees.

(b) The shares are transferred prior to their submission for endorsement in accordance with Section 1302 or are surrendered for conversion into shares of another class in accordance with the articles.

(c) The dissenting shareholder and the corporation do not agree upon the status of the shares as dissenting shares or upon the purchase price of the shares, and neither files a complaint or intervenes in a pending action as provided in Section 1304, within six months after the date on which notice of the approval by the outstanding shares or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(d) The dissenting shareholder, with the consent of the corporation, withdraws the shareholder's demand for purchase of the dissenting shares.

1310. Suspension of right to compensation or valuation proceedings; litigation of shareholders' approval

If litigation is instituted to test the sufficiency or regularity of the votes of the shareholders in authorizing a reorganization, any proceedings under Sections 1304 and 1305 shall be suspended until final determination of such litigation.

1311. Exempt shares

This chapter, except Section 1312, does not apply to classes of shares whose terms and provisions specifically set forth the amount to be paid in respect to such shares in the event of a reorganization or merger.

1312. Right of dissenting shareholder to attack, set aside or rescind merger or reorganization; restraining order or injunction; conditions

(a) No shareholder of a corporation who has a right under this chapter to demand payment of cash for the shares held by the shareholder shall have any right at law or in equity to attack the validity of the reorganization or short-form merger, or to have the reorganization or short-form merger set aside or rescinded, except in an action to test whether the number of shares required to authorize or approve the reorganization have been legally voted in favor thereof; but any holder of shares of a class whose terms and provisions specifically set forth the amount to be paid in respect to them in the event of a reorganization or short-form merger is entitled to payment in accordance with those terms and provisions or, if the principal terms of the

reorganization are approved pursuant to subdivision (b) of Section 1202, is entitled to payment in accordance with the terms and provisions of the approved reorganization.

(b) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with, another party to the reorganization or short-form merger, subdivision (a) shall not apply to any shareholder of such party who has not demanded payment of cash for such shareholder's shares pursuant to this chapter; but if the shareholder institutes any action to attack the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, the shareholder shall not thereafter have any right to demand payment of cash for the shareholder's shares pursuant to this chapter. The court in any action attacking the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded shall not restrain or enjoin the consummation of the transaction except upon 10 days' prior notice to the corporation and upon a determination by the court that clearly no other remedy will adequately protect the complaining shareholder or the class of shareholders of which such shareholder is a member.

(c) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with, another party to the reorganization or short-form merger, in any action to attack the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, (1) a party to a reorganization or short-form merger which controls another party to the reorganization or short-form merger shall have the burden of proving that the transaction is just and reasonable as to the shareholders of the controlled party, and (2) a person who controls two or more parties to a reorganization shall have the burden of proving that the transaction is just and reasonable as to the shareholders of any party so controlled.

APPENDIX C



December 14, 2016

Board of Directors
First ULB Corp.
100 Hegenberger Road
Suite 100
Oakland, CA 94621

Dear Members of the Board:

You have requested our opinion as investment bankers as to the fairness, from a financial perspective, to the common shareholders (the "Shareholders") of First ULB Corp., Oakland, California (the "Company"), along with its wholly owned subsidiary, United Business Bank, FSB, a federally-chartered savings and loan ("UBB"), of the proposed consideration to be received by the Company's Shareholders in the proposed merger of the Company with and into BayCom Corp ("BCC"), a California corporation that is in the process of becoming a bank holding company and sole shareholder of Bay Commercial Bank, Walnut Creek, California ("BCB"), a California state-chartered bank (the "Transaction"). In the proposed Transaction, the Company's Shareholders will receive fixed consideration of \$13.50 in cash and 0.9733 shares of BCC common stock (the "Per Share Consideration"), subject to the terms and conditions of the Agreement and Plan of Reorganization by and among BCB, BCC, the Company and UBB. In aggregate, based upon 1,409,938 shares outstanding of the Company, the Shareholders will receive \$19.0 million in cash and 1,372,292 shares of BCB, representing consideration of \$18.1 million based on the closing price of BCB (OTC: BCML) as of December 12, 2016 of \$13.20, or \$37.1 million in total aggregate consideration (collectively the "Merger Consideration").

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement. The terms of the Transaction are set forth more fully in the Agreement and descriptions of any such terms herein are qualified in their entirety by reference to the Agreement.

FIG Partners LLC ("FIG"), as part of its investment banking business, is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bidding, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. As specialists in the securities of financial institutions, we have experience and knowledge of the valuation of banking institutions. As you are aware, in the course of its daily trading activities, investment funds controlled by an affiliate (as such term is defined in Regulation 12G-2

promulgated under the Securities Exchange Act of 1934, as amended) of FIG and its affiliates may from time to time effect transactions and hold securities of the Company or BCML; to the extent that we have any such position as of the date of this opinion it has been disclosed to the Company and BCML. This opinion has been reviewed and approved by FIG's Fairness Committee. In addition FIG has not had a material relationship with the Company for which we have received compensation during the prior two years. FIG has had a trading relationship with BCML for which we have received compensation during the prior two years.

We were retained by the Company to act as its exclusive financial advisor in connection with the proposed Transaction and in rendering this fairness opinion. We will receive compensation from the Company in connection with our services, including a fee for rendering this opinion and a fee that is contingent upon the successful completion of the Transaction. The Company has agreed to indemnify us for certain liabilities arising out of our engagement.

During the course of our engagement and for the purposes of the opinion set forth herein, we have:

- (i) reviewed the Agreement;
- (ii) reviewed certain historical publicly available business and financial information concerning the Company including, among other things, quarterly and annual reports filed by the Company with the Federal Reserve and the Office of the Comptroller of the Currency;
- (iii) reviewed certain publicly available business and financial information concerning BCB including its Annual Reports, Proxy Statements, and call reports filed with the FDIC;
- (iv) reviewed certain internal financial statements and other financial and operating data concerning the Company and BCB as well as analyzed pro forma Regulatory capital levels;
- (v) analyzed certain financial estimates and information prepared by the management of the Company and BCB;
- (vi) held discussions with members of the senior managements of the Company and BCB for the purpose of reviewing the future prospects of the Company and BCB, including financial estimates related to their respective businesses, earnings, assets, and liabilities and credit quality;

- (vii) reviewed the terms of recent merger and acquisition transactions, to the extent publicly available, involving banks, thrifts and bank and thrift holding companies that we considered and deemed relevant;
- (viii) reviewed trading activity in BCB common stock over the last twelve months relative to price and volume;
- (ix) reviewed BCB's financial performance and current valuation metrics relative to other publicly traded banks which were deemed similar to BCB; and
- (x) performed such other analyses and considered such other factors as we have deemed relevant and appropriate.

We have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions as well as our knowledge of the banking industry and our general experience in the valuation of financial institutions and their securities.

In rendering our opinion, we have assumed, without independent verification, the accuracy and completeness of the financial and other information and representations contained in the materials provided to us by the Company and BCB and in the discussions with the Company and BCB's management teams. We have not independently verified the accuracy or completeness of any such information. In that regard, we have assumed that the financial estimates, and estimates and allowances regarding under-performing and nonperforming assets and net charge-offs have been reasonably prepared on a basis reflecting the best currently available information, judgments and estimates of the Company and BCB and that such estimates will be realized in the amounts and at the times contemplated thereby. We are not experts in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto and have assumed and relied upon management's estimates and projections. We were not retained to and did not conduct a physical inspection of any of the properties or facilities of the Company or BCB or their respective subsidiaries. In addition, we have not reviewed individual credit files nor have we made an independent evaluation or appraisal of the assets and liabilities of the Company or BCB nor any of their respective subsidiaries and we were not furnished with any such evaluations or appraisals.

We have assumed that the proposed Transaction will be consummated substantially in accordance with the terms set forth in the Agreement. We have assumed that the proposed Transaction is, and will be, in compliance with all laws and regulations that are applicable to the Company and BCB. In rendering this opinion, we have been advised by both the Company and BCB and we have assumed that there are no known factors that could impede or cause any material delay in obtaining the necessary regulatory and governmental approvals of the proposed Transaction.

Board of Directors
December 14, 2016
Page 4 of 4

Our opinion is based solely upon the information available to us and the economic, market and other circumstances, as they exist as of the date hereof. Events occurring and information that becomes available after the date hereof could materially affect the assumptions and analyses used in preparing this opinion. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon any events occurring or information that becomes available after the date hereof, except as otherwise agreed in our engagement letter.

Our opinion does not address the merits of the underlying decision by the Company to engage in the proposed Transaction and does not constitute a recommendation to any Shareholder of the Company as to how such Shareholder should vote on the proposed Transaction or any other matter related thereto. We do not express any opinion as to the fairness of the amount or nature of the compensation to be received in the proposed Transaction by any officer, director, or employee, or class of such persons.

This letter is solely for the information of the Board of Directors of the Company in its evaluation of the proposed Transaction and is not to be used, circulated, quoted or otherwise referred to for any other purpose, nor is it to be filed with, included in or referred to in whole or in part in any proxy statement or any other document, except in each case in accordance with our prior written consent which shall not be unreasonably withheld; provided, however, that we hereby consent to the inclusion and reference to this letter in any proxy statement, information statement or tender offer document to be delivered to the Company's Shareholders in connection with the proposed Transaction if and only if this letter is quoted in full or attached as an exhibit to such document.

Subject to the foregoing and based on our experience as investment bankers, our activities and assumptions as described above, and all other factors we have considered and deemed relevant, we are of the opinion as of the date hereof that the Merger Consideration to be received by the Shareholders of the Company under the Agreement is fair from a financial perspective.

Sincerely,

FIG PARTNERS, LLC

FIG PARTNERS, LLC

APPENDIX D



December 14, 2016

Board of Directors
Bay Commercial Bank
500 Ygnacio Valley Road, Suite 200
Walnut Creek, California 94596

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the outstanding shares of common stock of Bay Commercial Bank, Walnut Creek, California ("Bay") of the consideration to be paid to First ULB Corp., Oakland, California ("FULB") in the proposed merger (the "Merger") of FULB with and into BayCom Corp, a California corporation that is in the process of becoming a bank holding company and sole shareholder of Bay ("BHC") pursuant to the Agreement and Plan of Reorganization and Merger (the "Agreement").

Pursuant to the terms of the Agreement, each share of FULB Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive the Per Share Merger Consideration, which shall be comprised of:

- (i) \$13.50 in cash (the "Per Share Cash Consideration") and
- (ii) 0.9733 shares of BHC Common Stock (the "Per Share Stock Consideration").

All capitalized items used in this letter shall have the meanings ascribed to them in the Agreement. The terms of the Merger are more fully set forth in the Agreement.

For purposes of this opinion and in connection with our review of the proposed transaction, we have, among other things:

1. Reviewed the terms of the draft of the Agreement dated December 9, 2016;
2. Reviewed certain publicly available financial statements, both audited (where available) and un-audited, and related financial information of Bay and FULB, including those

included in their respective annual reports for the past two years and their respective quarterly reports for the past two years;

3. Reviewed certain internal financial information and financial forecasts relating to the business, earnings, cash flows, assets and prospects of Bay and FULB furnished to us by Bay and FULB;
4. Held discussions with members of executive and senior management of Bay and FULB concerning the past and current results of operations of Bay and FULB, their respective current financial condition and management's opinion of their respective future prospects;
5. Reviewed the financial terms of merger and acquisition transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that we deemed to be relevant; and
6. Reviewed such other information, financial studies, analyses and investigations, as we considered appropriate under the circumstances.

In giving our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to us by Bay and FULB, and their respective representatives, and of the publicly available information that was reviewed by us. We are not experts in the evaluation of allowances for loan losses and have not independently verified such allowances. We assumed that the aggregate allowance for loan losses set forth in the financial statements of Bay and FULB is adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. We were not retained to and we did not conduct a physical inspection of any of the properties or facilities of Bay or FULB, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of Bay or FULB, were not furnished with any such evaluation or appraisal, and did not review any individual credit files. Our opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to us as of, the date hereof. Accordingly, it is important to understand that although subsequent developments may affect its opinion, we do not have any obligation to further update, revise, or reaffirm our opinion. We express no opinion on matters of a legal, regulatory, tax or accounting nature or the ability of the Merger, as set forth in the Agreement, to be consummated. No opinion is expressed as to whether any alternative transaction might be more favorable to holders of Bay common stock than the Merger.

Board of Directors
Bay Commercial Bank
December 14, 2016
Page 3

Vining Sparks IBG, L.P. ("Vining Sparks"), as part of its investment banking business, is regularly engaged in the valuation of banks and bank holding companies, thrifts and thrift holding companies, and various other financial services companies, in connection with mergers and acquisitions and valuations for other purposes. In rendering this fairness opinion, we have acted on behalf of the Board of Directors of Bay and will receive a fee for our services, which is payable upon delivery of this opinion.

Vining Sparks' opinion as expressed herein is limited to the fairness, from a financial point of view, of the Merger Consideration to be paid by Bay to the holders of FULB common stock in the Merger and does not address Bay's underlying business decision to proceed with the Merger. We have been retained on behalf of the Board of Directors of Bay, and our opinion does not constitute a recommendation to any director of Bay as to how such director should vote with respect to the Agreement. In rendering this opinion, we express no opinions with respect to the amount or nature of any compensation to any officers, directors, or employees of Bay or FULB, or any class of such persons relative to the consideration to be received by the holders of the common stock of FULB in the transaction or with respect to the fairness of any such compensation.

In the two years prior to the issuance of this opinion, Vining Sparks has not had a material relationship with Bay or FULB where compensation was received or that we contemplate will be received after closing of the transaction.

Except as hereinafter provided, this opinion may not be disclosed, communicated, reproduced, disseminated, quoted or referred to at any time, to any third party or in any manner or for any purpose whatsoever without our prior written consent, which consent will not be unreasonably withheld, based upon review by us of the content of any such public reference, which shall be satisfactory to us in our reasonable judgment. This letter is addressed and directed to the Board of Directors of Bay in your consideration of the Merger and is not intended to be and does not constitute a recommendation to any shareholder as to how such shareholder should vote with respect to the Merger. This opinion was approved by the fairness opinion committee of Vining Sparks.

Subject to the foregoing and based on our experience as investment bankers, our activities as described above, and other factors we have deemed relevant, we are of the opinion as of the date

Board of Directors
Bay Commercial Bank
December 14, 2016
Page 4

hereof that the Merger Consideration to be paid to the holders of FULB common stock is fair, from a financial point of view, to the holders of Bay common stock.

Sincerely,

Vining Sparks IBG, L.P.

VINING SPARKS IBG, L.P.

APPENDIX E

FIRST ULB CORP AND SUBSIDIARIES
Oakland, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

FIRST ULB CORP AND SUBSIDIARIES
Oakland, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
CONSOLIDATED BALANCE SHEETS – DECEMBER 31, 2016 AND SEPTEMBER 30, 2015.....	2
CONSOLIDATED STATEMENT OF INCOME – FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2016	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2016	4
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2016	5
CONSOLIDATED STATEMENT OF CASH FLOWS – FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2016	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	8

INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors
First ULB Corp. and Subsidiaries
Oakland, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First ULB Corp. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and September 30, 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the fifteen months ended December 31, 2016 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First ULB Corp. and Subsidiaries as of December 31, 2016 and September 30, 2015, and the results of their operations and their cash flows for the fifteen months ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.


Crowe Horwath LLP

San Francisco, California
March 1, 2017

FIRST ULB CORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and September 30, 2015

	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
ASSETS		
Cash and due from banks:		
Non-interest bearing	\$ 8,367,599	\$ 13,955,940
Interest bearing	88,763,587	77,001,402
Time deposits in other banks	2,736,000	1,734,000
Investment securities:		
Available-for-sale, at estimated fair value	28,078,000	29,187,000
Held-to-maturity, at amortized cost	32,944	41,552
Loans held for sale	2,437,500	3,677,000
Loans, net of allowance for loan losses of \$3,194,250 at December 31, 2016 and \$3,173,089 at September 30, 2015	311,046,429	238,088,848
Premises and equipment, net	7,773,991	8,240,434
Federal Home Loan Bank stock and other equity stock	2,130,200	1,948,000
Cash surrender value of bank-owned life insurance	6,378,893	6,184,197
Core deposit intangible	190,000	254,000
Accrued interest receivable and other assets	<u>5,441,566</u>	<u>6,813,048</u>
Total assets	<u>\$ 463,376,709</u>	<u>\$ 387,125,421</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 159,163,380	\$ 158,178,785
Interest bearing	<u>257,837,060</u>	<u>184,211,630</u>
Total deposits	417,000,440	342,390,415
Other borrowings	6,714,286	8,529,999
Accrued interest payable and other liabilities	3,719,996	3,431,810
Junior subordinated deferrable interest debentures	<u>6,392,000</u>	<u>6,392,000</u>
Total liabilities	433,826,722	360,744,224
Commitments and Contingencies (Note 14)		
Shareholders' equity:		
Preferred stock - no par value; 10,000,000 shares authorized; no shares issued and outstanding at December 31, 2016 and September 30, 2015	-	-
Common stock - no par value; 10,000,000 shares authorized; 1,409,938 shares issued and outstanding at December 31, 2016 and September 30, 2015	16,384,914	16,384,914
Retained earnings	13,039,962	9,578,700
Accumulated other comprehensive income	<u>125,111</u>	<u>417,583</u>
Total shareholders' equity	<u>29,549,987</u>	<u>26,381,197</u>
Total liabilities and shareholders' equity	<u>\$ 463,376,709</u>	<u>\$ 387,125,421</u>

The accompanying notes are an integral part of these consolidated financial statements.

RST ULB CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For the Fifteen Months Ended December 31, 2016

Interest income:	
Interest and fees on loans	\$ 18,107,541
Interest on investment securities:	
Taxable interest income	779,358
Tax exempt interest income	347,601
Interest on deposits in other banks	<u>501,035</u>
Total interest income	19,735,535
Interest expense:	
Interest on deposits	261,800
Interest on other borrowings	461,251
Interest on junior subordinated deferrable interest debentures	<u>254,227</u>
Total interest expense	<u>977,278</u>
Net interest income	18,758,257
Reversal of provision for loan losses	<u>(300,000)</u>
Net interest income after provision for loan losses	19,058,257
Noninterest income:	
Service charges	171,255
Gain on sale of loans	1,870,930
Earnings from bank-owned life insurance	194,696
Other income	<u>1,579,540</u>
Total noninterest income	3,816,421
Noninterest expenses:	
Salaries and employee benefits	10,021,919
Occupancy and equipment	1,501,269
Other expense	<u>5,480,228</u>
Total noninterest expenses	<u>17,003,416</u>
Income before income tax expense	5,871,262
Income tax expense	<u>2,410,000</u>
Net income	<u>\$ 3,461,262</u>
Basic and diluted earnings per common share	<u>\$ 2.45</u>
Weighted average number of common shares outstanding	<u>1,409,938</u>

The accompanying notes are an integral part of these consolidated financial statements.

FIRST ULB CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Fifteen Months Ended December 31, 2016

Net Income	\$ 3,461,262
Other comprehensive loss:	
Unrealized holding losses on available-for-sale investment securities arising during the period	<u>(495,715)</u>
Tax effect	<u>203,243</u>
Total other comprehensive loss	<u>(292,472)</u>
Comprehensive income	<u>\$ 3,168,790</u>

The accompanying notes are an integral part of these consolidated financial statements.

FIRST ULB CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Fifteen Months Ended December 31, 2016

	Common Stock		Retained Earnings	Accumulated- Other Compre hensive Income	Total Shareholders' Equity
	Shares	Amount			
Balance at September 30, 2015	1,409,938	\$ 16,384,914	\$ 9,578,700	\$ 417,583	\$ 26,381,197
Net income	-	-	3,461,262	-	3,461,262
Other comprehensive loss	-	-	-	(292,472)	(292,472)
Balance at December 31, 2016	1,409,938	\$ 16,384,914	\$ 13,039,962	\$ 125,111	\$ 29,549,987

The accompanying notes are an integral part of these consolidated financial statements.

FIRST ULB CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fifteen Months Ended December 31, 2016

Cash flows from operating activities:	
Net income	\$ 3,461,262
Adjustments to reconcile net income to net cash provided by operating activities:	
Reversal of provision for loan losses	(300,000)
Depreciation and amortization of premises and equipment	663,554
Depreciation of real estate held for investment	82,175
Accretion of investment security discounts, net of amortization of premiums	153,984
Amortization of core deposit intangible	63,657
Amortization of servicing assets	414,381
Accretion of discounts, net of amortization of premiums on acquired loans	(142,610)
Amortization of premiums on FHLB borrowings assumed	(14,999)
Amortization of premiums on time deposits assumed	(12,704)
Increase in deferred loan origination fees, net	119,046
Earnings from bank-owned life insurance	(194,696)
Net loss on sale, retirement of premises and equipment	13,576
Gain on sale of loans	(1,870,930)
Origination of loans held for sale	(33,794,353)
Proceeds from sale of loans	36,904,783
FHLB stock dividends	(1,900)
Impairment of real estate held for investment	170,000
Decrease in accrued interest receivable and other assets	376,512
Increase in accrued interest payable and other liabilities	288,186
Deferred tax expense	<u>532,000</u>
Net cash provided by operating activities	<u>6,910,924</u>
Cash flows from investing activities:	
Net increase in time deposits in other banks	(1,002,000)
Available-for-sale securities:	
Maturities, prepayments and calls	5,690,000
Purchases	(8,690,762)
Proceeds from principal repayments	3,480,081
Held-to-maturity securities:	
Proceeds from principal repayments	8,590
Purchase of Federal Home Loan Bank stock	(180,300)
Net increase in loans	(72,634,017)
Purchases of premises and equipment, net	(216,987)
Proceeds from sale of premises and equipment	<u>6,300</u>
Net cash used in investing activities	<u>(73,559,095)</u>

The accompanying notes are an integral part of these consolidated financial statements.

FIRST ULB CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fifteen Months Ended December 31, 2016

Cash flows from financing activities:	
Net increase in demand, interest bearing and savings deposits	79,149,640
Net decrease in time deposits	(4,526,911)
Principal payments on other borrowing	(285,714)
Repayment of Federal Home Loan Bank advances	<u>(1,515,000)</u>
Net cash provided by financing activities	<u>72,822,015</u>
Increase in cash and cash equivalents	6,173,844
Cash and cash equivalents at beginning of period	<u>90,957,342</u>
Cash and cash equivalents at end of period	<u>\$ 97,131,186</u>
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest	\$ 1,132,509
Cash paid during the period for income taxes	\$ 1,167,952

The accompanying notes are an integral part of these consolidated financial statements.

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: United Business Bank (formerly known as United Labor Bank) (the "Bank") was incorporated on May 4, 1990. The Bank operates branches in Oakland, Long Beach, Sacramento, San Francisco, San Jose, and Glendale, California, Tukwila, Washington and Albuquerque, New Mexico. The Bank operates under a charter granted by the Office of the Comptroller of the Currency (OCC) and its deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC). Subsequent to its formation, the Bank merged with First ULB Corp. (the "Company") and became a wholly owned subsidiary. The Company's primary source of revenue is interest on residential and commercial real estate mortgage loans. On August 10, 2004, the Company formed a wholly-owned subsidiary, First ULB Statutory Trust I, a Delaware statutory business trust, for the exclusive purpose of issuing trust preferred securities. On November 29, 2013, the Company completed the acquisition of Union Financial Corporation ("UFC"), parent company of Union Savings Bank. Union Savings Bank was merged into the Bank and Union Financial Corporation was merged into the Company. UFC had one branch office in Albuquerque, New Mexico which the Company now operates as a branch office of the Bank.

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Principles of Consolidation: These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All material intercompany transactions and accounts have been eliminated in consolidation. For financial reporting purposes, the Company's investment in First ULB Statutory Trust I is accounted for under the equity method and is included in other assets on the consolidated balance sheets. The junior subordinated debentures issued and guaranteed by the Company and held by the Trust are reflected as liabilities on the Company's consolidated balance sheets.

Change in Fiscal Year End: The Company changed its fiscal year end from September 30 to December 31. Accordingly, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the fifteen months ended December 31, 2016 are not reflective of a twelve month period of operations of the Company, and comparative statements are not presented.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 1, 2017, which is the date the consolidated financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash and Cash Equivalents: For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and due from banks. Cash flows from time deposits in other banks, loans and deposits are presented on a net basis.

Investment Securities: Investments are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses generally excluded from earnings and reported, net of taxes, as accumulated other comprehensive income or loss within shareholders' equity.
- Held-to-maturity securities, which management has the positive intent and ability to hold to maturity, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value.

Net gains or losses on the sale of investment securities are computed on the specific identification method and are shown separately in non-interest income on the consolidated statements of income. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums.

An investment security is impaired when its carrying value is greater than its fair value. Investment securities that are impaired are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether such a decline in their fair value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of the Company to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons for underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other than temporary, and management does not intend to sell the security nor it is more likely than not that the Company will be required to sell the security before recovery, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive loss. If management intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

Loans: Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at the principal amounts outstanding, adjusted for deferred loan origination fees and costs, purchase premiums and discounts, write-downs and the allowance for loan losses. Loan origination fees, net of certain deferred origination costs, and purchase premiums and discounts are recognized as an adjustment to the yield of the related loans.

The accrual of interest on all loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due or when loans become ninety days past due. Upon such discontinuance, all unpaid accrued interest is reversed against current income unless the loan is well secured and in the process of collection. Interest received on all nonaccrual loans and impaired loans, as defined below in the section titled Allowance for Loan Losses, is either applied against principal or reported as interest income on a cash basis, according to management's judgment as to the collectability of principal. Generally, all loans are restored to accrual status when the obligation is brought current and has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer substantially in doubt.

The Company's real estate loan portfolio consists primarily of loans collateralized by first and second deeds of trust on one to four unit residential, multi-family residential and commercial real estate properties. A significant portion of the real estate loans is comprised of adjustable-rate mortgages. The interest rate and payment terms of these mortgages adjust on a periodic basis in accordance with various published indices. The majority of these adjustable-rate mortgages have terms which limit the amount of interest rate adjustment that can occur each year and over the life of the mortgage.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Sales and Servicing: Loans that management has the intent to sell are classified as loans held for sale and are carried at the lower of cost or estimated fair value. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold.

The Company accounts for the transfers and servicing of financial assets based on the financial and servicing assets it controls and liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished.

Included in the portfolio are loans which, in general, are 75% guaranteed by the Small Business Administration (the "SBA"). The guaranteed portion of these loans may be sold to a third party, with the Company retaining the unguaranteed portion. The Company generally receives a premium in excess of the adjusted carrying value of the loan at the time of sale. The Company may be required to refund a portion of the sales premium if the borrower defaults or the loan prepays within ninety days of the settlement date. However, none of the premiums the Company had received were subject to these recourse provisions as of December 31, 2016 or September 30, 2015. The Company had SBA loans held for sale totaling \$2,437,500 at December 31, 2016 and \$3,677,000 at September 30, 2015. The guaranteed portion of SBA loans sold, totaling approximately \$67,977,000 and \$43,863,000 were being serviced for others at December 31, 2016 and September 30, 2015, respectively.

For loans which the guaranteed portion has been sold, the Company's investment in the loan is allocated between the retained portion of the loan, the servicing asset, the IO strip, and the sold portion of the loan based on their relative fair values on the date the loan is sold. The gain on the sold portion of the loan is recognized as income at the time of sale. The carrying value of the retained portion of the loan is discounted based on the estimated yield of a comparable non-guaranteed loan. Significant future prepayments of these loans will result in the recognition of additional accretion of these discounts, amortization of related servicing assets and an adjustment to the carrying value of related IO strips.

Servicing rights acquired through 1) a purchase or 2) the origination of loans which are sold or securitized with servicing rights retained are recognized as separate assets or liabilities. Servicing assets or liabilities are recorded at the difference between the contractual servicing fees and adequate compensation for performing the servicing, and are subsequently amortized in proportion to and over the period of the related net servicing income or expense. Servicing assets are periodically, but not less than annually, evaluated for impairment using discounted cash flows based on current market interest rates. Servicing assets totaled \$1,114,530 and \$721,800 as of December 31, 2016 and September 30, 2015, respectively.

In addition, assets (accounted for as interest-only (IO) strips) are recorded at the fair value of the difference between note rates and rates paid to purchasers (the interest spread) and contractual servicing fees, if applicable. IO strips are carried at fair value with gains or losses recorded as a component of shareholders' equity, similar to available-for-sale investment securities. IO strips were not considered significant for financial reporting purposes at December 31, 2016 or September 30, 2015.

Allowance for Loan Losses: The allowance for loan losses is an estimate of probable credit losses inherent in the Company's loan portfolio that have been incurred as of the balance-sheet date. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. Credit exposures determined to be uncollectable are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to loans individually evaluated for impairment and general reserves for loans collectively evaluated for impairment.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's process for identifying impaired loans is the same for all classes of loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Factors considered in this assessment include the borrower's historical payment performance, financial condition, and global cash flows. Loans determined to be impaired are individually evaluated and impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, it may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely by the underlying collateral. The change in present value of impaired loans measured for impairment using the present value of expected cash flows is recorded as an adjustment to the provision for loan losses.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the Company grants a concession for economic or legal reasons related to the borrower's financial difficulties that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. When a loan is considered to be a TDR, the Company discontinues the accrual of interest. Generally, a TDR is returned to accrual status once the borrower has demonstrated an ability to repay its obligation under the modified terms for a reasonable period of time, usually six months, and the ultimate collectability of the total principal and interest is no longer in doubt.

The determination of the general reserve for loans that are collectively evaluated for impairment is based on estimates made by management, to include, but not limited to, consideration of historical losses by portfolio segment for the trailing 5-year period, internal asset classifications, and qualitative factors to include economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Company's underwriting policies, the character of the loan portfolio, and probable incurred credit losses inherent in the portfolio taken as a whole.

The Company maintains a separate allowance for each portfolio segment (loan type). These portfolio segments include single family residential mortgage, multi-family residential mortgage, commercial real estate-construction, commercial real estate-SBA, commercial real estate-other, commercial business, and consumer loans. The allowance for loan losses attributable to each portfolio segment, which includes both impaired loans and loans that are not impaired, is combined to determine the Company's overall allowance, which is included on the consolidated balance sheet.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company assigns a risk rating to all loans and periodically performs detailed reviews of all such loans to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During the internal reviews for multi-family residential, commercial real estate-SBA, commercial real estate-other, commercial real estate-construction, and commercial business loans, management monitors and analyzes the financial condition of borrowers and guarantors, if any, trends in the industries in which borrowers operate and the fair values of collateral securing the loans, if any. During the internal reviews for single family residential and consumer loans, management monitors and analyzes the loan payment history and the status of property taxes and insurance. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass – A pass loan is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectable and charged off immediately.

The general reserve component of the allowance for loan losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses and (3) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment described below.

Single family and multi-family residential real estate – The degree of risk in residential real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Commercial real estate - construction – Construction loans generally possess a higher inherent risk of loss than other real estate portfolio segments. A major risk arises from the necessity to complete projects within specified cost and time lines. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans as property values determine the economic viability of construction projects.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial real estate - SBA and other – Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for properties to produce sufficient cash flow to service debt obligations.

Commercial business – Commercial business loans generally possess a lower inherent risk of loss than some real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is generally provided by business cash flows. Economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Consumer – A consumer loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be appropriate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulators review the adequacy of the allowance as an integral part of their examination process. The regulators may require additions to the allowance based on their judgment about information available at the time of their examinations.

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures: The Company also maintains a separate allowance for off-balance-sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The allowance for off-balance-sheet commitments is included in accrued interest payable and other liabilities on the consolidated balance sheet.

Premises and Equipment: Premises and equipment are carried at cost. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets, which is three to seven years for equipment, three years for automobiles, five to ten years for furniture and thirty-nine years for bank premises. Leasehold improvements are amortized over the life of the asset or the term of the related lease, whichever is shorter. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The Company evaluates premises and equipment for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Investment in Federal Home Loan Bank Stock: As a member of the Federal Home Loan Bank System, the Bank is required to maintain an investment in the capital stock of the Federal Home Loan Bank of San Francisco and Dallas (FHLB). The investment is carried at cost and may be redeemed at par with restrictions. The Company evaluates the investment for impairment on at least an annual basis, based on the ultimate recovery of par. Both cash and stock dividends are reported as income.

Bank-Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Core Deposit Intangible: The core deposit intangible represents estimated future benefits of acquired deposits and is booked separately from the liability in other assets. The customer relationship is the primary identifiable asset and various assumptions were applied using a discounted cash flow approach to arrive at fair value. These assumptions included customer attrition, deposit interest rates, service charge income, overhead expense and costs of alternative funding. It is amortized on an accelerated basis over an estimated eight-year life. The core deposit intangible asset is evaluated periodically, but not less than annually, for impairment. The Company's evaluation uses a qualitative analysis of attrition to determine the likelihood that the carrying amount of its core deposit intangible is impaired. No impairment losses were recognized for the fifteen months ended December 31, 2016.

Other Real Estate Owned: Other real estate owned includes real estate acquired in full or partial settlement of loan obligations, generally through foreclosure, that is being marketed for sale. Other real estate owned is initially recorded at fair value less estimated selling costs, establishing a new cost basis. When property is acquired, any excess of the Company's recorded investment in the loan balance and accrued interest income over the estimated fair market value of the property, net of estimated selling costs, is charged against the allowance for loan losses and any excess of the estimated fair market value of the property, net of estimated selling costs over the Company's recorded investment in the loan balance and accrued interest income is credited first to the allowance for loan losses as a recovery to the extent charge-offs had been recorded previously, and then to earnings as a gain on foreclosure of loan. For other real estate owned properties that management intends to sell, a valuation allowance for losses is maintained to provide for temporary declines in value after foreclosure. The allowance is established through a provision for losses on other real estate owned which is included in other expenses. Subsequent gains or losses on sales are recorded in non-interest income as incurred. After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas operating expenses of such properties, net of related income, are included in other expenses. No such amounts were outstanding at December 31, 2016 and September 30, 2015.

Real Estate Held for Investment: Real estate held for investment includes real estate acquired in full or partial settlement of loan obligations, generally through foreclosure, that is not being marketed for sale and is being operated, such as rental properties. As of December 31, 2016, the Company had one property classified as real estate held for investment. This held for investment property is included in other assets on the consolidated balance sheets and is carried at amortized cost, which was approximately \$731,000 and \$984,000 at December 31, 2016 and September 30, 2015, respectively. Depreciation is determined using the straight-line method over the estimated useful life which is 15 years. Management intends to hold this property for investment and realize income from future rental cash flows generated by the property. Because of its held for investment classification, this other real estate owned property is not adjusted to fair value unless it is impaired. The property is evaluated for impairment each reporting period using undiscounted expected cash flows from the property compared to its carrying value. If those undiscounted expected cash flows do not support the carrying value then an impairment charge is recorded through earnings and a new cost basis is established at its fair value. The property's fair value is determined based on a market appraisal, less estimated costs to sell. Based on this measurement management recorded an impairment charge of \$170,000 for the fifteen months ended December 31, 2016.

Income Taxes: The Company files its income taxes on a consolidated basis with its subsidiaries. The allocation of income tax expense (benefit) represents each entity's proportionate share of the consolidated provision for income taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates which are expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has elected to record interest accrued and penalties related to unrecognized tax benefits in tax expense.

Earnings Per Common Share: Basic earnings per common share (EPS), which excludes dilution, is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings of the Company. The treasury stock method is applied to determine the dilutive effect of stock options in computing diluted EPS. Earnings per share are retroactively adjusted for stock dividends and stock splits for all periods presented. As of December 31, 2016, no instruments or contracts had been entered into that could cause a dilutive effect on earnings per common share.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss includes unrealized gains and losses on securities available for sale which are recognized as separate component of equity, net of the related income tax effect.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Standards: In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which amended existing guidance related to revenue from contracts with customers. This amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, this amendment specifies the accounting for some costs to obtain or fulfill a contract with a customer. In August 2015 the FASB instituted a one-year deferral of the effective date of this amendment to annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements and results of operations, but given the majority of the Company's revenue is from interest income on loans and investment securities, it is not expected to have a material impact.

In April 2015, the FASB issued ASU 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which amended existing guidance related to the presentation of debt issuance costs. It requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability. The amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact of this amendment on the consolidated financial statements, but given the carrying amount of the Company's debt issuance costs are insignificant, it is not expected to have a material impact.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The amendments require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments required that the acquirer record, the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. These amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The Company is currently evaluating the impact of this amendment on the consolidated financial statements, but given the Company has not completed a business combination since its 2013 acquisition of UFC, it is not expected to have a material impact.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amended existing guidance that requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. It requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). It eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of this amendment on the consolidated financial statements and believes the primary impact will be from the requirement to use the exit price notion when disclosing fair value.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which amended existing guidance that requires lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. These amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements and results of operations, and believes the primary impact will be from the requirement to record a right-of-use asset and lease liability for certain of the Company's leases. The Company is currently evaluating the expected magnitude of such asset and liability, which it expects will be similar and not result in material impact to the Company's shareholders' equity.

In June 2016, FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326)." The ASU introduces guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For debt securities with other-than-temporary impairment (OTTI), the guidance will be applied prospectively. Existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period which the guidance is effective. The standard will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements and results of operations and believes its impact will increase the allowance for loan losses, but an estimate of the magnitude of such increase has not yet been determined.

NOTE 2 – MERGER

On December 15, 2016 the boards of directors of the Company, the Bank, BayCom Corp and Bay Commercial Bank announced the approval of an Agreement and Plan of Reorganization and Merger dated December 14, 2016, under which the Company will merge with and into BayCom Corp, with BayCom Corp as the surviving corporation (the "Merger"). If the Merger is completed, shareholders of the Company will receive shares of BayCom Corp common stock and cash as described herein in exchange for each share of Company common stock they hold. Upon the effectiveness of the Merger, each share of Company common stock will be converted into the right to receive (i) \$13.50 in cash, and (ii) 0.9733 shares of BayCom Corp common stock. The Merger cannot be completed unless, among other conditions, the shareholders of the Company and BayCom Corp approve the principal terms of the Merger Agreement and the Merger and BayCom Corp. receives the appropriate regulatory approvals. Pending those approvals, it is expected that the transaction will close sometime in the second quarter of 2017.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 3 – INVESTMENT SECURITIES

Available-for-Sale: The amortized cost and estimated fair value of available-for-sale investment securities at the dates indicated consisted of the following:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
Small Business Administration loan-backed securities	\$ 7,053,769	\$ 52,975	\$ (6,744)	\$ 7,100,000
Obligations of states and political subdivisions	13,108,758	109,474	(101,232)	13,117,000
Mortgage-backed securities issued by U.S. Government sponsored agencies	<u>7,703,421</u>	<u>169,238</u>	<u>(11,659)</u>	<u>7,861,000</u>
	<u>\$ 27,865,948</u>	<u>\$ 331,687</u>	<u>\$ (118,635)</u>	<u>\$ 28,078,000</u>
	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
Small Business Administration loan-backed securities	\$ 6,232,325	\$ 38,299	\$ (16,624)	\$ 6,254,000
Obligations of states and political subdivisions	9,717,148	153,679	(40,827)	9,830,000
Mortgage-backed securities issued by U.S. Government sponsored agencies	<u>12,529,790</u>	<u>573,926</u>	<u>(686)</u>	<u>13,103,000</u>
	<u>\$ 28,479,233</u>	<u>\$ 765,904</u>	<u>\$ (58,137)</u>	<u>\$ 29,187,000</u>

Net unrealized gains on available-for-sale investment securities totaling \$212,052 were recorded, net of \$86,941 in income taxes as accumulated other comprehensive income within shareholders' equity at December 31, 2016. There were no sales of available-for-sale investment securities during the fifteen months ended December 31, 2016.

Net unrealized gains on available-for-sale investment securities totaling \$707,767 were recorded, net of \$290,184 in income taxes as accumulated other comprehensive income within shareholders' equity at September 30, 2015.

Held-to-Maturity: The amortized cost and estimated fair value of held-to-maturity securities at the dates indicated consisted of the following:

	December 31, 2016			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
Debt securities:				
Mortgage-backed securities issued by U.S. Government sponsored agencies	\$ 32,844	\$ 5,056	\$ -	\$ 38,000

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 3 – INVESTMENT SECURITIES (Continued)

	September 30, 2015			Estimated Fair Value
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	
Debt securities:				
Mortgage-backed securities issued by U.S. Government sponsored agencies	\$ 41,552	\$ 8,448	\$ -	\$ 50,000

For the year ended December 31, 2016 there were no sales, calls, or transfers of held-to-maturity investment securities.

Investment securities with unrealized losses at December 31, 2016 and September 30, 2015 are summarized and classified according to the duration of the loss period as follows:

	December 31, 2016					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
Small Business Administration loan-backed securities	\$ 14,000	\$ (6)	\$ 1,786,000	\$ (6,738)	\$ 1,800,000	\$ (6,744)
Obligations of states and political subdivisions	7,401,000	(101,232)	-	-	7,401,000	(101,232)
Mortgage-backed securities issued by U.S. Government sponsored agencies	1,753,000	(11,413)	78,000	(248)	1,831,000	(11,659)
	<u>\$ 9,168,000</u>	<u>\$ (112,651)</u>	<u>\$ 1,864,000</u>	<u>\$ (6,984)</u>	<u>\$ 11,032,000</u>	<u>\$ (119,635)</u>

	September 30, 2015					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
Small Business Administration loan-backed securities	\$ 2,383,000	\$ (12,187)	\$ 1,075,000	\$ (4,437)	\$ 3,458,000	\$ (16,624)
Obligations of states and political subdivisions	1,189,000	(28,452)	1,547,000	(12,375)	2,736,000	(40,827)
Mortgage-backed securities issued by U.S. Government sponsored agencies	38,000	(199)	106,000	(487)	142,000	(686)
	<u>\$ 3,608,000</u>	<u>\$ (40,838)</u>	<u>\$ 2,728,000</u>	<u>\$ (17,289)</u>	<u>\$ 6,336,000</u>	<u>\$ (59,137)</u>

Small Business Administration Loan-Backed Securities: At December 31, 2016, the Company held 15 Small Business Administration loan-backed securities of which 1 was in a loss position for less than twelve months and 5 were in a loss position for twelve months or more. The contractual cash flows of these investments are guaranteed by an agency of the U.S. Government. All of these securities have continued to pay as scheduled despite their impairment which management believes is primarily due to increases in market interest rates. In addition, the Company has the ability and intent to hold these investments until a recovery of fair value and does not expect that it would be required to sell these securities prior to such recovery of fair value, which may be maturity. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2016.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 3 – INVESTMENT SECURITIES (Continued)

Obligations of States and Political Subdivisions: At December 31, 2016, the Company held 18 obligations of states and political subdivision securities of which 12 were in a loss position for less than twelve months and none was in a loss position for twelve months or more. Management believes the unrealized losses on the Company's investments in obligations of states and political subdivision securities were due to increases in market interest rates. All of these securities have continued to pay as scheduled despite their impairment due to current market conditions. Specifically, there has been no observable deterioration in the credit rating or financial performance of the underlying municipalities. In addition, the Company has the ability and intent to hold these investments until a recovery of fair value and does not expect that it would be required to sell these securities prior to such recovery of fair value, which may be maturity. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2016.

Mortgage-Backed Securities Issued by U.S. Government Sponsored Agencies: At December 31, 2016, the Company held 61 Mortgage-backed securities issued by U.S. Government Sponsored Agencies of which 7 were in a loss position for less than twelve months and 4 were in a loss position for twelve months or more. The contractual cash flows of these investments are guaranteed by an agency sponsored by the U.S. government. All of these securities have continued to pay as scheduled despite their impairment. In addition, the Company has the ability and intent to hold these investments until a recovery of fair value and does not expect that it would be required to sell these securities prior to such recovery of fair value, which may be maturity. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2016.

The amortized cost and estimated fair value of investment securities at December 31, 2016 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Available-for-Sale</u>		<u>Held-to-Maturity</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due:				
Within one year	\$ -	\$ -	\$ -	\$ -
One to five years	1,275,457	1,261,000	-	-
Five to ten years	6,010,109	5,961,000	-	-
Beyond ten years	5,823,192	5,895,000	-	-
Investment securities not due at a single maturity date:				
Small Business Administration Loan-backed securities	7,053,789	7,100,000	-	-
Mortgage-backed securities issued by U.S. Government sponsored Agencies	7,703,421	7,861,000	32,944	38,000
	<u>\$ 27,885,848</u>	<u>\$ 28,078,000</u>	<u>\$ 32,944</u>	<u>\$ 38,000</u>

Investment securities with carrying amounts of approximately \$5,468,000 and \$8,804,000 were pledged to secure advances from the Federal Home Loan Bank at December 31, 2016 and September 30, 2015, respectively.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2016 and September 30, 2015:

	December 31, 2016			September 30, 2015		
	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due and Accruing	Nonaccrual	Current	Total
Residential real estate single family	\$ 721,753	\$ -	\$ -	\$ -	\$ 57,537,828	\$ 58,259,581
Residential real estate multi-family	-	-	-	-	68,716,678	68,716,678
Commercial real estate - construction	-	-	-	-	1,064,560	1,064,560
Commercial real estate - SBA	280,247	-	2,138,876	-	23,654,864	23,654,864
Commercial real estate - other	-	-	-	2,419,123	135,610,582	138,029,705
Commercial business	-	-	-	-	24,432,421	24,432,421
Consumer	-	-	-	-	82,870	82,870
	<u>\$ 1,002,000</u>	<u>\$ 2,138,876</u>	<u>\$ -</u>	<u>\$ 3,140,875</u>	<u>\$ 311,099,804</u>	<u>\$ 314,240,679</u>
	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due and Accruing	Nonaccrual	Current	Total
Residential real estate single family	\$ -	\$ -	\$ -	\$ -	\$ 17,109,372	\$ 17,109,372
Residential real estate multi-family	-	-	-	-	66,482,007	66,482,007
Commercial real estate - construction	-	-	-	-	3,768,579	3,768,579
Commercial real estate - SBA	-	-	-	413,337	13,319,255	13,732,592
Commercial real estate - other	-	-	-	-	118,373,175	118,373,175
Commercial business	5,278	-	-	1,682,453	19,670,169	21,352,622
Consumer	-	-	-	5,278	438,312	443,590
	<u>\$ 5,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,095,790</u>	<u>\$ 239,160,869</u>	<u>\$ 241,261,937</u>

The Company had \$2,138,876 of loans past due over 90 days and still accruing interest at December 31, 2016. Management determined that such loans were well secured and in the process of collection. There was no interest income recognized on a cash basis on nonaccrual loans during the fifteen months ended December 31, 2016.

Commercial real estate loans totaling approximately \$8,876,000 and \$11,231,000 as of December 31, 2016 and September 30, 2015, respectively, were pledged to secure short term borrowing arrangements with the Federal Reserve Bank.

In addition, various mortgage loans totaling approximately \$8,885,000 and \$27,910,000 as of December 31, 2016 and September 30, 2015, respectively, were pledged to secure short term borrowing arrangements with the Federal Home Loan Bank of San Francisco.

(Continued)

FIRST ULB AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2016 and September 30, 2015:

Grade:	December 31, 2016										Total
	Residential Real Estate Single Family	Residential Real Estate Multi-family	Commercial Real Estate - Construction	Commercial Real Estate - SBA	Commercial Real Estate - Other	Commercial Business	Consumer				
Pass	\$ 58,259,581	\$ 63,633,346	\$ 1,064,560	\$ 23,452,663	\$ 136,898,245	\$ 24,414,369	\$ 80,885				\$ 307,803,649
Special Mention	-	1,026,971	-	202,201	-	-	-				1,229,172
Substandard	-	4,056,361	-	-	1,131,460	18,052	1,985				5,207,859
Doubtful	-	-	-	-	-	-	-				-
	<u>\$ 58,259,581</u>	<u>\$ 68,716,678</u>	<u>\$ 1,064,560</u>	<u>\$ 23,654,864</u>	<u>\$ 138,029,705</u>	<u>\$ 24,432,421</u>	<u>\$ 82,870</u>				<u>\$ 314,240,679</u>
Grade:	September 30, 2015										Total
	Residential Real Estate Single Family	Residential Real Estate Multi-family	Commercial Real Estate - Construction	Commercial Real Estate - SBA	Commercial Real Estate - Other	Commercial Business	Consumer				
Pass	\$ 17,109,372	\$ 61,253,191	\$ 3,768,579	\$ 13,319,255	\$ 108,611,964	\$ 19,623,902	\$ 438,372				\$ 224,124,635
Special Mention	-	2,581,892	-	-	4,264,354	-	-				6,846,246
Substandard	-	2,646,924	-	413,337	5,496,857	1,483,059	5,218				10,045,395
Doubtful	-	-	-	-	-	245,661	-				245,661
	<u>\$ 17,109,372</u>	<u>\$ 66,482,007</u>	<u>\$ 3,768,579</u>	<u>\$ 13,732,592</u>	<u>\$ 118,373,175</u>	<u>\$ 21,352,622</u>	<u>\$ 443,590</u>				<u>\$ 241,261,937</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the fifteen months ended December 31, 2016:

	Residential Real Estate Single Family	Residential Real Estate Multi-family	Commercial Real Estate - Construction	Commercial Real Estate - SBA	Commercial Real Estate - Other	Commercial Business	Consumer	Unallocated	Total
Allowance for loan losses:									
Beginning balance,									
September 30, 2015	\$ 18,967	\$ 668,644	\$ 9,564	\$ 74,276	\$ 1,551,832	\$ 844,684	\$ 2,315	\$ 2,807	\$ 3,173,089
Reversal of provision for loan losses	169,622	78,487	(6,750)	159,333	(897,939)	104,324	(2,108)	95,031	(300,000)
Loans charged-off	-	-	-	-	-	(410,406)	-	-	(410,406)
Recoveries	-	-	-	-	638,100	93,467	-	-	731,567
Ending allowance Balance, December 31, 2016	\$ 188,589	\$ 747,131	\$ 2,814	\$ 233,609	\$ 1,291,993	\$ 632,069	\$ 207	\$ 97,838	\$ 3,194,250

(Continued)

FIRST ULB AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2016 and September 30, 2015:

December 31, 2016	Residential Real Estate Single Family	Residential Real Estate Multi-family	Commercial Real Estate - Construction	Commercial Real Estate - SBA	Commercial Real Estate - Other	Commercial Business	Consumer	Unallocated	Total
Allowance for loan losses:									
Ending allowance balance attributable to loans:									
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	<u>188,589</u>	<u>747,131</u>	<u>2,814</u>	<u>233,609</u>	<u>1,291,993</u>	<u>632,069</u>	<u>207</u>	<u>97,838</u>	<u>3,194,250</u>
Total ending allowance balance	<u>\$ 188,589</u>	<u>\$ 747,131</u>	<u>\$ 2,814</u>	<u>\$ 233,609</u>	<u>\$ 1,291,993</u>	<u>\$ 632,069</u>	<u>\$ 207</u>	<u>\$ 97,838</u>	<u>\$ 3,194,250</u>
Loans:									
Loans individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 307,330	\$ -	\$ -	\$ -	\$ 307,330
Loans collectively evaluated for impairment	<u>58,259,581</u>	<u>68,716,678</u>	<u>1,064,560</u>	<u>23,654,864</u>	<u>137,722,375</u>	<u>24,432,421</u>	<u>82,870</u>	<u>-</u>	<u>313,933,349</u>
Total ending loans balance	<u>\$ 58,259,581</u>	<u>\$ 68,716,678</u>	<u>\$ 1,064,560</u>	<u>\$ 23,654,864</u>	<u>\$ 138,029,705</u>	<u>\$ 24,432,421</u>	<u>\$ 82,870</u>	<u>\$ -</u>	<u>\$ 314,240,679</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

September 30, 2015	Residential Real Estate Single Family	Residential Real Estate Multi-family	Commercial Real Estate - Construction	Commercial Real Estate - SBA	Commercial Real Estate - Other	Commercial Business	Consumer	Unallocated	Total
Allowance for loan losses: Ending allowance balance attributable to loans: Individually evaluated for impairment \$	-	-	-	-	-	432,438	-	-	\$ 432,438
Collectively evaluated for impairment	<u>18,967</u>	<u>688,644</u>	<u>9,564</u>	<u>74,276</u>	<u>1,551,832</u>	<u>412,246</u>	<u>2,315</u>	<u>2,807</u>	<u>2,740,651</u>
Total ending allowance balance	<u>\$ 18,967</u>	<u>\$ 688,644</u>	<u>\$ 9,564</u>	<u>\$ 74,276</u>	<u>\$ 1,551,832</u>	<u>\$ 844,684</u>	<u>\$ 2,315</u>	<u>\$ 2,807</u>	<u>\$ 3,173,089</u>
Loans:									
Loans Individually evaluated for impairment \$	-	-	-	413,337	1,672,837	1,682,453	-	-	\$ 3,768,627
Loans collectively evaluated for impairment	<u>17,109,372</u>	<u>66,482,007</u>	<u>3,768,579</u>	<u>13,319,255</u>	<u>116,700,338</u>	<u>19,670,169</u>	<u>443,590</u>	<u>237,493,310</u>	<u>237,493,310</u>
Total ending loans balance	<u>\$ 17,109,372</u>	<u>\$ 66,482,007</u>	<u>\$ 3,768,579</u>	<u>\$ 13,732,592</u>	<u>\$ 118,373,175</u>	<u>\$ 21,352,622</u>	<u>\$ 443,590</u>	<u>\$ 241,261,937</u>	<u>\$ 241,261,937</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents information related to impaired loans by class of loans as of December 31, 2016 and September 30, 2015:

<u>December 31, 2016</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no related allowance recorded:					
Commercial real estate - other	\$ 307,330	\$ 450,093	\$ -	\$ 312,331	\$ 34,831
<u>September 30, 2015</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>		
With no related allowance recorded:					
Commercial real estate – other	\$ 1,672,837	\$ 2,453,700	\$ -		
Commercial real estate - SBA	413,337	413,337	-		
With related allowance recorded:					
Commercial	1,682,453	4,182,453	432,438		
Total					
Commercial real estate - other	\$ 1,672,837	\$ 2,453,700	\$ -		
Commercial real estate - SBA	\$ 413,337	\$ 413,337	\$ -		
Commercial	\$ 1,682,453	\$ 4,182,453	\$ 432,438		

Accrued interest receivable has not been included in the recorded investment balances as amounts were considered insignificant as of December 31, 2016 and September 30, 2015. The amounts in the table above for average recorded investment and interest income recognized are for the fifteen months ended December 31, 2016.

Troubled Debt Restructurings: As of December 31, 2016 and September 30, 2015, the Company has a recorded investment in troubled debt restructurings of \$307,330 and \$2,607,224, respectively. The Company had allocated \$252,284 of specific allowance for those loans at September 30, 2015 and no specific reserves for those loans at December 31, 2016. The Company had not committed to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings. A loan is considered to be in a payment default once it is 90 days contractually past due under the modified terms. No previously identified TDRs defaulted during the fifteen months ended December 31, 2016.

There were no loans modified as troubled debt restructurings during the fifteen months ended December 31, 2016.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31, 2016 and September 30, 2015:

	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
Land	\$ 2,210,000	\$ 2,210,000
Building	7,664,320	7,499,054
Furniture and equipment	3,015,320	3,051,197
Automobiles	96,823	423,358
Leasehold improvements	<u>305,361</u>	<u>254,871</u>
	13,291,824	13,438,480
Less accumulated depreciation and amortization	<u>(5,517,833)</u>	<u>(5,198,046)</u>
	<u>\$ 7,773,991</u>	<u>\$ 8,240,434</u>

Depreciation and amortization expense on premises and equipment totaled \$663,554 during the fifteen months ended December 31, 2016.

NOTE 6 – INTANGIBLE ASSETS

Acquired intangible assets were as follows as of December 31, 2016 and September 30, 2015:

	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
Core deposit intangibles	\$ 360,000	\$ 360,000
Less accumulated amortization	<u>(170,000)</u>	<u>(106,000)</u>
	<u>\$ 190,000</u>	<u>\$ 254,000</u>

Aggregate amortization expense was approximately \$64,000 during the fifteen months ended December 31, 2016.

Estimated amortization expense for each of the next five years is as follows:

<u>Twelve Months Ending</u> <u>December 31</u>	<u>Amount</u>
2017	\$ 46,000
2018	42,000
2019	39,000
2020	36,000
2021	<u>27,000</u>
Total	<u>\$ 190,000</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 7 – INTEREST-BEARING DEPOSITS

Interest bearing deposits consisted of the following as of December 31, 2016 and September 30, 2015:

	December 31, <u>2016</u>	September 30, <u>2015</u>
Savings	\$ 24,198,791	\$ 21,157,647
Money market	111,149,196	80,720,300
Transaction accounts	106,009,961	61,314,956
Time, \$100,000 or more	12,073,045	15,403,548
Other time	<u>4,406,067</u>	<u>5,615,179</u>
	<u>\$ 257,837,060</u>	<u>\$ 184,211,630</u>

Time deposits issued in denominations greater than or equal to \$250,000 totaled \$5,474,317 and \$5,617,958 at December 31, 2016 and September 30, 2015, respectively.

Aggregate annual maturities of time deposits are as follows:

Twelve Months Ending <u>December 31,</u>	
2017	\$ 13,177,228
2018	3,202,746
2019	<u>99,138</u>
	<u>\$ 16,479,112</u>

Interest expense recognized on interest bearing deposits consisted of the following for the fifteen months ended December 31, 2016:

Savings	\$ 18,151
Money market	129,255
Transaction accounts	46,623
Time, \$100,000 or more	54,770
Other time	<u>13,001</u>
	<u>\$ 261,800</u>

NOTE 8 – SHORT-TERM BORROWING ARRANGEMENTS

The Company has a \$5,000,000 unsecured short-term borrowing arrangement with one of its correspondent banks. There were no borrowings outstanding under this arrangement at December 31, 2016 and September 30, 2015.

In addition, the Company could borrow up to approximately \$5,457,000 and \$6,863,000 from the Federal Reserve Bank as of December 31, 2016 and September 30, 2015, respectively. Commercial real estate loans totaling approximately \$8,876,000 and \$11,231,000 as of December 31, 2016 and September 30, 2015, respectively, secure this borrowing arrangement. There were no borrowings outstanding under this arrangement at December 31, 2016 and September 30, 2015.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 9 – OTHER BORROWINGS

The Company has a borrowing agreement with the FHLB which allows the Company to borrow on either a short-term or long-term basis up to approximately \$12,979,000 and \$30,968,000 as of December 31, 2016 and September 30, 2015, respectively, based on specified percentage of the collateral pledged. Various mortgage loans and investment securities totaling approximately \$14,354,000 and \$35,270,000 as of December 31, 2016 and September 30, 2015, respectively, were pledged to secure these borrowing arrangements. Of the total borrowing capacity at December 31, 2016, approximately \$11,979,000 was available. Borrowings outstanding under this arrangement were as follows:

<u>December 31, 2016</u>			<u>September 30, 2015</u>		
<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
\$ 1,000,000	5.19%	January 23, 2017	\$ 450,000	5.36%	June 1, 2016
			65,000	5.26%	July 1, 2016
			1,000,000	4.88%	December 1, 2016
-			<u>1,000,000</u>	5.19%	January 23, 2017
<u>\$ 1,000,000</u>			<u>\$ 2,515,000⁽¹⁾</u>		

⁽¹⁾ Represents principal amount of borrowings. The Company's recorded investment totaled \$2,529,999 as of September 30, 2015, which was net of unamortized purchase premium of \$14,999.

The Company has a long term note payable to another financial institution with a principal balance of \$5,714,286 and \$6,000,000 as of December 31, 2016 and September 30, 2015, respectively. The note matures on August 5, 2023 and bears a current interest rate of 4.50% (based on the Wall Street Journal Prime Rate plus 1.00%). The note required interest-only payments through September 5, 2016 and requires monthly principal payments of \$71,429 payable thereafter, plus interest. The note is secured by the Company's investment in the stock of the Bank. Debt issuance costs were not significant. Required principal payments on the note are as follows:

	Twelve Months Ending <u>December 31,</u>
2017	\$ 857,143
2018	857,143
2019	857,143
2020	857,143
2021	857,143
Thereafter	<u>1,428,571</u>
	<u>\$ 5,714,286</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 10 – JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

First ULB Statutory Trust I (the "Trust") is a Delaware business trust formed by the Company with capital of \$192,000 for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by the Company. During the fourth quarter of 2004, the Trust issued 6,200 Floating Rate Capital Trust Pass-Through Securities (Trust Preferred Securities), with a liquidation value of \$1,000 per security, for gross proceeds of \$6,200,000. The entire proceeds of the issuance were invested by the Trust in \$6,392,000 of Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures") issued by the Company, with identical maturity, repricing and payment terms as the Trust Preferred Securities. The Subordinated Debentures represent the sole assets of the Trust. The Subordinated Debentures mature on September 15, 2034, bear a current interest rate of 3.46% (based on 3-month LIBOR plus 2.50%), with quarterly repricing and payments. The Subordinated Debentures are redeemable by the Company, subject to receipt by the Company of prior approval from the Federal Reserve Board of Governors, on any March 15, June 15, September 15, or December 15, on or after September 15, 2009. The redemption price is par plus accrued and unpaid interest, except in the case of redemption under a special event which is defined in the debenture. The Trust Preferred Securities are subject to mandatory redemption to the extent of any early redemption of the Subordinated Debentures and upon maturity of the Subordinated Debentures on September 15, 2034.

Holders of the Trust Preferred Securities are entitled to a cumulative cash distribution on the liquidation amount of \$1,000 per security. For each successive period beginning on March 15, June 15, September 15 and December 15 of each year, the rate will be adjusted to equal the 3-month LIBOR plus 2.50%. The Trust has the option to defer payment of the distributions for a period of up to five years, as long as the Company is not in default on the payment of interest on the Subordinated Debentures. The Trust Preferred Securities were sold and issued in private transactions pursuant to an exemption from registration under the Securities Act of 1933, as amended. The Company has guaranteed, on a subordinated basis, distributions and other payments due on the Trust Preferred Securities.

NOTE 11 – FAIR VALUE MEASUREMENT

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2016 and September 30, 2015. The tables also indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Assets measured at fair value on a recurring basis are summarized below:

December 31, 2016				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Available-for-Sale Investment Securities</u>				
Debt securities:				
Small Business Administration				
loan-backed securities	\$ 7,100,000	\$ -	\$ 7,100,000	\$ -
Obligations of states and political				
subdivisions	13,117,000	-	13,117,000	-
Mortgage-backed securities issued				
by U.S. Government sponsored				
agencies	7,861,000	-	7,861,000	-
	\$ 28,078,000	\$ -	\$ 28,078,000	\$ -

September 30, 2015				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Available-for-Sale Investment Securities</u>				
Debt securities:				
Small Business Administration				
loan-backed securities	\$ 6,254,000	\$ -	\$ 6,254,000	\$ -
Obligations of states and political				
subdivisions	9,830,000	-	9,830,000	-
Mortgage-backed securities issued				
by U.S. Government sponsored				
agencies	13,103,000	-	13,103,000	-
	\$ 29,187,000	\$ -	\$ 29,187,000	\$ -

There were no transfers in or out of levels 1 and 2 during the fifteen months ended December 31, 2016.

The fair values for available-for-sale investment securities are based on quoted market prices for similar securities.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Assets measured at fair value on a non-recurring basis are summarized below:

December 31, 2016					
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Losses During the Period(1)</u>
<u>Assets</u>					
Real estate held for investment	731,383	-	-	731,383	(170,000)
	<u>\$ 731,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,383</u>	<u>\$ (170,000)</u>

- (1) Total losses presented are for the fifteen months ended December 31, 2016 and include only impairment charges taken on the property (recognized in other expense). In addition, there was depreciation expense recorded on the property total \$82,175 recognized in other expense and net operating income from the property totaling \$58,575 recognized in other income during the fifteen months ended December 31, 2016.

September 30, 2015					
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<u>Assets</u>					
Impaired loans - commercial	\$ 682,102	\$ -	\$ 682,102	\$ -	
Real estate held for investment	<u>983,558</u>	<u>-</u>	<u>-</u>	<u>983,558</u>	
	<u>\$ 1,665,660</u>	<u>\$ -</u>	<u>\$ 682,102</u>	<u>\$ 983,558</u>	

The following methods were used to estimate the fair value of each class of financial instrument above:

Impaired Loans – Impaired loans measured at fair value consist of an unsecured commercial loan with a valuation allowance determined based on a recent observation of a market sale price of a similar asset with the same terms and a similar size as the impaired loan being measured resulting in a Level 2 classification.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Real Estate Held for Investment – The fair value of real estate held for investment is estimated using a recent third party appraisal. The appraisal utilized an income approach contains unobservable market data. Therefore, such appraisals are classified as Level 3 in the fair value hierarchy. Quantitative information about such Level 3 fair value measurements contained in the appraisal is as follows as of December 31, 2016:

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Description of Unobservable Inputs</u>	<u>Actual Unobservable Inputs</u>
Real estate held for investment	\$ 731,383	Income approach	Capitalization rate	7.8%
			Vacancy and collection loss	25%

Quantitative information about such Level 3 fair value measurements contained in the appraisal is as follows as of September 30, 2015:

<u>September 30, 2015</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Description of Unobservable Inputs</u>	<u>Actual Unobservable Inputs</u>
Real estate held for investment	\$ 938,558	Income approach	Capitalization rate	11.3%
			Vacancy and collection loss	16%

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

The carrying amounts and estimated fair values of financial instruments at December 31, 2016 and September 30, 2015 were as follows:

	Carrying Amount	Fair Value Measurements at December 31, 2016 using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 97,131,186	\$ 97,131,186	\$ -	\$ -	\$ 97,131,186
Time deposits in other banks	2,736,000	-	2,736,000	-	2,736,000
Investment securities	28,110,944	-	28,116,000	-	28,116,000
Loans held for sale	2,437,500	-	2,639,000	-	2,639,000
Loans, net	311,046,429	-	-	307,922,000	307,922,000
Federal Home Loan Bank stock	2,071,200	N/A	N/A	N/A	N/A
Equity Investment	59,000	-	-	59,000	59,000
Accrued interest receivable	1,248,027	-	137,699	1,110,327	1,248,027
Financial liabilities:					
Deposits	417,000,440	401,535,300	16,498,000	-	418,033,300
Other borrowings	6,714,286	-	1,004,000	6,295,000	7,299,000
Accrued interest payable	38,049	-	5,447	32,594	38,049
Junior subordinated deferrable interest debentures	6,392,000	-	-	4,681,000	4,681,000

	Carrying Amount	Fair Value Measurements at September 30, 2015 using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 90,957,342	\$ 90,957,342	\$ -	\$ -	\$ 90,957,342
Time deposits in other banks	1,734,000	-	1,734,000	-	1,734,000
Investment securities	29,228,552	-	29,237,000	-	29,237,000
Loans held for sale	3,677,000	-	3,950,000	-	3,950,000
Loans, net	238,088,848	-	682,102	235,121,898	235,804,000
Federal Home Loan Bank stock	1,889,000	N/A	N/A	N/A	N/A
Equity Investment	59,000	-	-	59,000	59,000
Accrued interest receivable	1,093,545	-	167,196	926,349	1,093,545
Financial liabilities:					
Deposits	342,390,415	321,371,688	21,092,000	-	342,463,688
Other borrowings	8,529,999	-	2,689,000	6,621,000	9,310,000
Accrued interest payable	193,280	-	164,476	28,804	193,280
Junior subordinated deferrable interest debentures	6,392,000	-	-	4,511,000	4,511,000

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

The following methods and assumptions were used by management to estimate the fair value of its financial instruments at December 31, 2016 and September 30, 2015:

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate fair values and are classified as level 1.

Time Deposits in Other Banks: The fair value of time deposits in other banks is estimated by discounting their future cash flows using rates at the reporting date for instruments with similar remaining maturities offered by comparable financial institutions.

Investment Securities: For investment securities, fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar securities and indications of value provided by brokers resulting in Level 2 classification. The carrying amount of accrued interest receivable approximates its fair value.

Loans: Fair values of loans other than the impaired loans discussed previously are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price. The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a level 2 classification.

Investment in Federal Home Loan Bank Stock: It is not practicable to determine the fair value of Federal Home Loan Bank stock due to restrictions placed on its transferability.

Equity Investments: The fair value of the equity investment approximates the book value of the investment after the conversion and reverse stock split in connection with the reorganization and merger of the entity in 2015. A Level 3 classification is used because of the inability to trade the investment in the open market, as the investment is not traded on an exchange.

Deposits: The fair values for demand deposits are, by definition, equal to the amount payable on demand at the reporting date represented by their carrying amount resulting in a Level 1 classification. Fair values for fixed-rate certificates of deposits are estimated using a discounted cash flow analysis using interest rates offered at each reporting date by the Bank for certificates with similar remaining maturities resulting in a Level 2 classification. The carrying amount of accrued interest payable approximates its fair value.

Other Borrowings: The fair value of FHLB borrowings is estimated using a discounted cash flow analysis using interest rates currently available to the Company for similar debt instruments resulting in a Level 2 classification. The fair value of the other long-term borrowing is determined based on trades and/or discounted cashflow analysis using interest rates offered in inactive markets for instruments of a similar maturity and structure resulting in a Level 3 classification. The carrying amount of accrued interest payable approximates its fair value.

Junior Subordinated Deferrable Interest Debentures: The fair value of junior subordinated deferrable interest debentures is determined based on trades and/or discounted cashflow analysis using interest rates offered in inactive markets for instruments of a similar maturity and structure resulting in a Level 3 classification.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 12 – SHAREHOLDERS' EQUITY

Dividends: Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The OCC restricts the total dividend payment of any bank in any calendar year to the net income for that year to date plus retained earnings for the preceding two years. No dividends were declared or paid during the fifteen months ended December 31, 2016.

Regulatory Capital: The Bank is subject to certain regulatory capital requirements administered by the OCC. Failure to meet these minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer for 2016 is 0.625%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2016 the Bank met all capital adequacy requirements to which it is subject. As of December 31, 2016 and September 30, 2015, the most recent notice from the OCC categorized the Bank as well capitalized under these guidelines. There are no conditions or events since that notification that management believes have changed the Bank's category.

<u>December 31, 2016</u>	<u>Actual</u>		<u>Required for Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Regulations</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total Capital to risk weighted assets	\$ 42,878,000	14.31%	\$23,988,000	8.00%	\$28,981,000	10.00%
Tier 1 (Core) Capital to risk weighted assets	\$ 39,675,000	13.24%	\$17,977,000	8.00%	\$23,969,000	8.00%
Common Equity Tier 1 Capital To risk-weighted assets	\$ 39,675,000	13.24%	\$13,482,000	4.50%	\$19,475,000	6.50%
Tier 1 (Core) Capital to average assets	\$ 39,675,000	8.68%	\$18,274,000	4.00%	\$22,843,000	5.00%

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 12 – SHAREHOLDERS' EQUITY (Continued)

<u>September 30, 2015</u>	<u>Actual</u>		<u>Required for Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Regulations</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total Capital to risk weighted assets	\$ 38,182,000	15.30%	\$19,985,000	8.00%	\$24,957,000	10.00%
Tier 1 (Core) Capital to risk weighted assets	\$ 35,062,000	14.05%	\$14,974,000	6.00%	\$19,965,000	8.00%
Common Equity Tier 1 Capital To risk-weighted assets	\$ 35,062,000	14.05%	\$11,230,000	4.50%	\$16,222,000	6.50%
Tier 1 (Core) Capital to average assets	\$ 35,062,000	9.03%	\$15,527,000	4.00%	\$19,409,000	5.00%

Quantitative measures established by the regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to total assets. Each of these components is defined in the regulations. Management believes that the Bank meets all its capital adequacy requirements as of December 31, 2016.

NOTE 13 – EMPLOYEE BENEFIT PLAN

401(k) Plan: Effective January 1, 1995, the Company adopted the United Business Bank 401(k) Plan. Employees are eligible for membership in the plan upon completion of three months of continuous employment and are eligible for employer match contributions upon completion of twelve months of continuous employment (during which at least 1,000 hours of service have been completed). The participants may contribute up to 100% of their pretax income and the Company matches 100% of the participants' contributions up to 15% of their eligible compensation subject to the maximum allowable by law. The Company's contributions to the plan was \$600,774 during the fifteen months ended December 31, 2016.

Deferred Compensation Plans: The Company has established a deferred compensation plan (the United Business Bank Director Deferred Compensation Plan) for certain directors as well as a plan for members of management (the United Business Bank Executive Deferred Compensation Plan) for the purpose of providing the opportunity for participants to defer compensation. Participants in the Director Plan are able to defer up to 100% of their director fees. Additionally, the Company may make a discretionary matching contribution, however there were no such contributions made by the Company during the fifteen months ended December 31, 2016. Participants in the Executive Plan are able to defer up to 100% of their salary as well as 100% of their performance-based compensation. The Company bears all administrative costs for the plans and funds the interest earned on participant deferrals at a rate equal to the Wall Street Journal Prime Rate which was 3.50% at December 31, 2016 and 3.25% at September 30, 2015. Deferred compensation earned interest in the amount of approximately \$26,000 during the fifteen months ended December 31, 2016. Deferred compensation, including interest earned, totaled approximately \$696,000 and \$1,332,000 at December 31, 2016 and September 30, 2015, respectively, and is included on the consolidated balance sheet in accrued interest payable and other liabilities.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 13 – EMPLOYEE BENEFIT PLAN (Continued)

Performance Driven Plan: In December 2009, the Bank adopted a Performance Driven Plan ("Performance Plan") through which, beginning in September 2010, the Bank contributes funds ("Awards") for the benefit of certain employees and non-executive directors. The Awards for employees are based on age, base compensation and the achievement of performance targets. The Awards for directors are based upon directors' fees and performance targets. The Performance Plan provides that the annual performance targets can be amended in the sole discretion of the Bank. Each Award vests separately at the rate of 20% per year. The Company's Performance Plan liability totaled approximately \$1,097,000 and \$1,108,000 at December 31, 2016 and September 30, 2015, respectively, and is included on the consolidated balance sheet in accrued interest payable and other liabilities. The Company's expense related to the Performance Plan was approximately \$92,000 during the fifteen months ended December 31, 2016.

NOTE 14 – INCOME TAXES

Income tax (benefit) expense for the fifteen month period ended December 31, 2016 consisted of the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2016</u>			
Current	\$ 1,415,781	\$ 462,219	\$ 1,878,000
Deferred	<u>328,000</u>	<u>204,000</u>	<u>532,000</u>
Income tax expense	<u>\$ 1,743,781</u>	<u>\$ 666,219</u>	<u>\$ 2,410,000</u>

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 14 – INCOME TAXES (Continued)

The components of deferred income tax assets and liabilities at December 31, 2016 and September 30, 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Allowance for loan losses	\$ 763,000	\$ 877,000
Depreciation on premises and equipment	358,000	289,000
Other real estate owned	255,000	185,000
Loss carryovers	-	24,000
Credit carryovers	2,000	2,000
Deferred compensation	285,000	541,000
Performance driven plan	448,000	450,000
Accrued expenses and other	<u>290,000</u>	<u>390,000</u>
Gross deferred tax assets	<u>2,401,000</u>	<u>2,758,000</u>
Less: Valuation allowance	<u>(2,000)</u>	<u>(2,000)</u>
Total deferred tax assets	2,399,000	2,756,000
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	(157,000)	(155,000)
Unrealized gains on available-for-sale investment securities	(87,000)	(290,000)
Deferred loan costs	(257,000)	(195,000)
Other	<u>(564,000)</u>	<u>(453,000)</u>
Total deferred tax liabilities	<u>(1,065,000)</u>	<u>(1,093,000)</u>
Net deferred tax assets	<u>\$ 1,334,000</u>	<u>\$ 1,663,000</u>

As of December 31, 2016 and September 30, 2015, the Company had recorded a full valuation allowance against certain deferred tax assets from California capital loss carryforwards since it is not more likely than not that these deferred tax assets will be realized due to the lack of anticipated capital gain income.

The Company's reported income tax expense differs from the amount of tax expense that would result from applying the Federal statutory tax rate to pretax income for the fifteen months ended December 31, 2016, primarily as a result of the following:

Federal statutory rate	34.0%
State taxes, net of federal benefits	7.4%
Bank owned life insurance	-1.2%
Tax exempt interest	-2.1%
Nondeductible expenses and other	<u>2.9%</u>
Effective Tax Rate	<u>41.0%</u>

The Company files income tax returns in the U.S. federal, California and New Mexico jurisdictions. The Company is not subject to U.S. federal, state, or local income tax examinations by tax authorities for tax years before 2011. The amount of unrecognized tax benefits as of December 31, 2016 is not considered material.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Leases: The Company leases certain branches under noncancellable operating leases with future minimum lease payments as follows:

Twelve Months Ending
December 31,

2017	\$	354,451
2018		208,450
2019		168,821
2020		158,139
2021		<u>49,343</u>
	\$	<u>939,204</u>

Rental expense included in occupancy and equipment expense totaled \$679,648 during the fifteen months period ended December 31, 2016.

Financial Instruments With Off-Balance-Sheet Risk: The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and standby letters of credit as it does for loans included on the consolidated balance sheet.

The following financial instruments represent off-balance-sheet credit risk.

	<u>December 31, 2016</u>	<u>September 30, 2015</u>
Commitments to extend credit	\$ 6,685,000	\$ 12,708,000
Standby letters of credit	\$ 189,000	\$ -

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include deeds of trust on residential real estate and income-producing commercial properties, accounts receivable, inventory and equipment.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liabilities related to these standby letters of credit, which is represented by the fees received for issuing the guarantees, was not significant at December 31, 2016 and September 30, 2015. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

The commitments disclosed above are primarily commercial loan commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates.

Significant Concentrations of Credit Risk: The Company grants real estate mortgage, commercial and consumer loans to customers primarily throughout the State of California. A substantial portion of its portfolio is secured by residential (single-family and multi-family) and commercial real estate.

At December 31, 2016, in management's judgment, a concentration of real estate loans existed. At that date, commercial real estate, multi-family residential real estate loans and single-family residential real estate loans represented 52%, 22% and 19% of total loans, respectively.

Although management believes that the loans within these concentrations have no more than the normal risk of collectability, a substantial decline in the performance of the economy in general or a decline in real estate values in the Company's primary service areas, in particular, could have an adverse impact on collectability, increase the level of real estate related non-performing loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on the financial condition of the Company.

Federal Reserve Requirements: Banks are required to maintain reserves with the Federal Reserve Bank equal to a percentage of their reservable deposits. The Company was required to maintain a reserve balance of \$15,470,000 at December 31, 2016.

Correspondent Banking Agreements: The Company maintains uninsured funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled approximately \$19,760,000 at December 31, 2016.

Collective Bargaining Agreement: Approximately 38% of the Company's employees are members of the Office and Professional Employees International Union, Local 29. The collective bargaining agreement between the Company and the Union expires on December 31, 2018. Approximately 4% of the Company's employees are members of the United Food and Commercial Workers, Local 1564. The collective bargaining agreement between the Company and the Union expires November 30, 2019.

Contingencies: The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Company.

(Continued)

FIRST ULB AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and September 30, 2015

NOTE 16 – OTHER EXPENSE

Other expense consisted of the following for the fifteen months ended December 31, 2016:

Regulatory assessments	\$ 495,572
Professional fees	868,909
Travel and auto	273,500
Dues, meals and entertainment	363,594
Postage and courier expenses	280,538
Director fees	194,001
Data processing	1,371,057
Telephone	317,331
Marketing and advertising	180,515
Surety bond insurance premiums	152,830
Loan boarding and collection expenses	172,396
Correspondent bank charges	63,503
Stationery and supplies	148,538
Impairment of real estate held for investment	170,000
Other operating expenses	<u>427,944</u>
	<u>\$ 5,480,228</u>

NOTE 17 – RELATED-PARTY TRANSACTIONS

The Bank enters into transactions with related parties, including directors, executive officers and affiliates. Aggregate amount of all extensions of credit to all directors, executive officers and related parties totaled \$2,115,545 and \$2,349,588 at December 31, 2016 and September 30, 2015, respectively. Advances and repayments on such loans was as follows during the fifteen months ended December 31, 2016:

Beginning balance	\$ 2,349,588
Advances	-
Repayments	<u>(234,043)</u>
Ending balance	<u>\$ 2,115,545</u>

There were no unfunded commitments to related parties at December 31, 2016 and September 30, 2015.

APPENDIX F



Independent Auditor's Report

Board of Directors and Shareholders of
Bay Commercial Bank

Report on Financial Statements

We have audited the accompanying financial statements of Bay Commercial Bank, which are comprised of the statements of financial condition as of December 31, 2016, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Commercial Bank as of December 31, 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Bay Commercial Bank as of and for the year ended December 31, 2015, were audited by other auditors whose report dated March 11, 2016, expressed an unmodified opinion on those statements.

Vavrinek, Trina, Day + Co., LLP
Laguna Hills, California
February 21, 2017

BAY COMMERCIAL BANK
STATEMENTS OF FINANCIAL CONDITION

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and due from banks	\$ 5,666,162	\$ 5,170,877
Federal funds sold	123,018,254	103,000,891
Cash and cash equivalents	<u>128,684,416</u>	<u>108,171,768</u>
Interest bearing deposits in banks	1,529,000	3,219,000
Investment securities available-for-sale	13,917,278	23,614,514
Federal Home Loan Bank stock, at par	2,511,000	2,359,800
Federal Reserve Bank stock, at par	1,411,200	1,486,100
Loans	\$ 508,350,246	\$ 464,399,699
Deferred fees, net	(311,220)	(342,085)
Allowance for loan losses	<u>(3,775,000)</u>	<u>(3,850,000)</u>
Loans, net	504,264,026	460,207,614
Premises and equipment, net	1,106,030	1,390,561
Other real estate owned (OREO)	775,000	-
Core deposit intangible	802,436	1,200,500
Cash surrender value of bank owned life insurance policies, net	6,470,161	6,248,652
Interest receivable and other assets	13,827,973	15,405,124
Total Assets	<u>\$ 675,298,520</u>	<u>\$ 623,303,633</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest bearing deposits	\$ 128,696,712	\$ 152,012,575
Interest bearing deposits	<u>462,062,048</u>	<u>391,291,259</u>
Total deposits	590,758,760	543,303,834
Salary continuation plan	3,156,496	3,193,264
Interest payable and other liabilities	<u>3,320,085</u>	<u>4,426,270</u>
Total liabilities	597,235,341	550,923,368
Commitments and contingencies (Note 6 and 11)		
Shareholders' equity:		
Perferred stock - no par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock - no par value; 100,000,000 shares authorized in 2016 and 2015; 5,472,426 and 5,493,209 shares issued and outstanding in 2016 and 2015, respectively	46,084,071	46,279,899
Additional paid in capital	286,738	286,738
Accumulated other comprehensive income, net of tax	88,434	121,628
Retained earnings	<u>31,603,936</u>	<u>25,692,000</u>
Total shareholders' equity	78,063,179	72,380,265
Total Liabilities and Shareholders' Equity	<u>\$ 675,298,520</u>	<u>\$ 623,303,633</u>

The accompanying notes are an integral part of the financial statements.

**BAY COMMERCIAL BANK
STATEMENTS OF INCOME**

For the years ended December 31, 2016 and 2015

	2016	2015
Interest income:		
Loans, including fees	\$ 28,393,579	\$ 24,414,762
Federal funds sold	25,446	11,091
Investment securities and interest bearing deposits in banks	809,398	985,011
FHLB dividend	307,014	229,556
FRB dividend	90,050	74,652
Total interest income	29,625,487	25,715,072
Interest expense:		
Deposits	3,471,205	3,134,862
Other borrowings	433	5,248
Total interest expense	3,471,638	3,140,110
Net interest income	26,153,849	22,574,962
Provision for loan losses	598,463	1,412,000
Net interest income after provision for loan losses	25,555,386	21,162,962
Non-interest income:		
Other income and fees	1,358,537	1,491,960
Bargain purchase gain	-	5,410,000
Total non-interest income	1,358,537	6,901,960
Non-interest expense:		
Salaries and related benefits	10,610,511	11,281,382
Occupancy and equipment	2,147,472	2,117,424
Data processing	1,386,115	2,251,206
Other	2,422,389	3,251,236
Total non-interest expense	16,566,487	18,901,248
Income before provision for income taxes	10,347,436	9,163,674
Provision for income taxes	4,435,500	1,711,230
Net income	\$ 5,911,936	\$ 7,452,444
Earnings per common share:		
Basic:		
Earnings per common share	\$ 1.10	\$ 1.37
Weighted average shares outstanding	5,392,597	5,437,790
Diluted:		
Earnings per common share	\$ 1.09	\$ 1.36
Weighted average shares outstanding	5,433,719	5,493,398

The accompanying notes are an integral part of the financial statements.

**BAY COMMERCIAL BANK
STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net income	\$ 5,911,936	\$ 7,452,444
Other comprehensive income:		
Unrealized holding gain (loss) on available-for-sale on investment securities, net of tax of \$23,547 in 2016 and \$86,282 in 2015	<u>(33,194)</u>	<u>54,316</u>
Other comprehensive (loss) income	<u>(33,194)</u>	<u>54,316</u>
Total comprehensive income	<u>\$ 5,878,742</u>	<u>\$ 7,506,760</u>

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accum- ulated Other Compre- hensive Income	Total Shareholders' Equity
Balance, December 31, 2014	4,875,787	\$ 39,580,462	\$ 286,738	\$ 18,239,556	\$ 67,312	\$ 58,174,068
Net income				7,452,444		7,452,444
Other comprehensive income, net					54,316	54,316
Restricted Stock granted	13,872					
Stock based compensation		304,320				304,320
Exercise of stock options	10,000	70,800				70,800
Issuance of shares	675,867	7,975,620				7,975,620
Repurchase of shares	(209,600)	(2,796,855)				(2,796,855)
Exercise of warrants	127,283	1,145,552				1,145,552
Balance, December 31, 2015	5,493,209	46,279,899	286,738	25,692,000	121,628	72,380,265
Net income				5,911,936		5,911,936
Other comprehensive expense, net					(33,194)	(33,194)
Restricted stock granted	12,794					
Termination of restricted stock	(2,000)					
Stock based compensation		334,565				334,565
Exercise of stock options	38,331	371,067				371,067
Repurchase of shares	(69,908)	(901,460)				(901,460)
Balance, December 31, 2016	5,472,426	\$ 46,084,071	\$ 286,738	\$ 31,603,936	\$ 88,434	\$ 78,063,179

The accompanying notes are an integral part of the financial statements.

**BAY COMMERCIAL BANK
STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Net income	\$ 5,911,936	\$ 7,452,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Bargain purchase gain	-	(5,410,000)
Mark to market accretion on acquired loans	(1,891,275)	(1,199,289)
Change in cash surrender value of the life insurance policies	(213,782)	(165,848)
Provision for loan losses	598,463	1,412,000
Write down and net loss on sale of OREO	179,000	249,566
Amortization/accretion of premium/discount on investment securities	189,993	234,825
Depreciation and amortization	498,751	487,345
Core deposit intangible amortization	398,064	449,389
Stock based compensation	334,565	304,320
Deferred loan origination fees	(30,865)	50,350
Decrease (increase) in accrued interest receivable and other assets	1,487,216	(261,465)
(Decrease) increase in salary continuation liability	(36,768)	28,264
(Decrease) increase in accrued interest payable and other liabilities	(1,106,185)	1,342,387
Net cash provided by operating activities	6,319,113	4,974,288
Cash flows from investing activities:		
Maturity of interest bearing deposits in banks	1,690,000	6,865,760
Proceeds from the maturity and repayment of securities	9,563,984	18,430,469
Purchase of Federal Home Loan Bank stock	(151,200)	-
Net increase in loans	(43,686,735)	(67,945,488)
Redemption (purchase) of Federal Reserve Bank stock	74,900	(273,150)
Purchase of bank owned life insurance	(7,727)	(7,726)
Proceeds from sale of OREO	-	1,853,278
Purchase of premises and equipment	(214,220)	(509,711)
Net cash received from acquisition	-	19,676,542
Net cash used by investing activities	(32,730,998)	(21,910,026)
Cash flows from financing activities:		
Net increase in demand, interest bearing and savings deposits	13,097,933	13,595,748
Increase (decrease) in time deposits	34,356,993	(16,104,160)
Repurchase of common stock	(901,460)	(2,796,855)
Exercise of warrants	-	1,145,552
Exercise of stock options	371,067	70,800
Decrease in other borrowings	-	(6,000,000)
Net cash provided (used) by financing activities	46,924,533	(10,088,915)
Increase (decrease) in cash and cash equivalents	20,512,648	(27,024,652)
Cash and cash equivalents at the beginning of the year	108,171,768	135,196,420
Cash and cash equivalents at end of the year	\$128,684,416	\$108,171,768

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENTS OF CASH FLOWS - CONTINUED

For the years ended December 31, 2016 and 2015

Supplemental disclosure of cash flow information:	2016	2015
Cash paid during the year for:		
Interest expense	\$ 3,055,205	\$ 3,137,274
Income tax	2,845,000	1,978,980
Non-cash investing activities:		
Net change in unrealized gain on investment securities available for sale	(33,194)	54,316
Transfers of loans to other real estate owned	954,000	-
Acquisitions:		
Assets acquired, net of cash received	-	105,553,272
Liabilities assumed	-	111,844,193
Common stock issued	-	7,975,620
Bargain purchase gain	-	5,410,000
Net cash received	\$ -	\$ 19,676,542

The accompanying notes are an integral part of the financial statements.

**BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Bay Commercial Bank (Bank) are in accordance with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. A summary of the significant accounting policies applied in preparation of the accompanying financial statements follows.

Organization

The state chartered Bank was incorporated under the laws of the State of California on March 24, 2004 and opened for business on July 20, 2004. The Bank offers traditional commercial banking products and services to businesses and individuals through ten branches located in Contra Costa, Alameda, Santa Clara, Napa, and San Joaquin Counties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates reflected in the Bank's 2016 and 2015 financial statements include the allowance for loan losses, the valuation for deferred tax assets, the fair value of stock options, the valuation of financial assets and liabilities, and the determination, recognition and measurement of impaired loans. Actual results could differ from these estimates.

Acquisition

On February 13, 2015, the Bank acquired all of the assets and assumed all of the liabilities of Valley Community Bank (VCB) under a Merger and Plan of Reorganization (Merger Agreement).

The acquired assets and assumed liabilities, both tangible and intangible, were measured at estimated fair values, as required by the acquisition method of accounting for business combinations Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 805, Business Combinations. Management made significant estimates and exercised significant judgment in accounting for the acquisition. The Bank recorded an identifiable intangible asset representing the value of the core deposit customer base. The deposit intangible assets represent the value ascribed to the long-term deposit relationships acquired and is being amortized over an estimated average useful life of four years.

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments both readily convertible into known amounts of cash and so near maturity that there is insignificant risk of change in value because of changes in interest rates. Generally, only investments with original maturities of three months or less at the time of purchase qualify as cash equivalents. Cash and cash equivalents include cash and due from banks and federal funds sold. The Bank maintains the minimum required amount of funds on deposit with other federally insured financial institutions under correspondent banking agreements. At times throughout the year, balances can exceed FDIC insurance limits.

As of December 31, 2016 and 2015, the Bank has cash deposits at other financial institutions in excess of FDIC insured limits. However, as the Bank places these deposits with major financial institutions and monitors the financial condition of these institutions, management believes the risk of loss to be minimal.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Generally, banks are required to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. For the years ended December 31, 2016 and 2015, \$5,000,000 and \$5,440,000 reserve balances were required, respectively.

Interest Bearing Deposits in Banks

The Bank invests in interest bearing deposits in banks with maturities of up to three years. At December 31, 2016 and 2015, the Bank held interest bearing deposits totaling \$1,529,000 and \$3,219,000 with a yield of 1.31% and 1.60% and a weighted average term to maturity of less than a year, respectively.

Investment Securities Available for Sale

Available-for-sale securities include bonds, notes, mortgage-backed securities, and debentures not classified as held-to-maturity securities. These securities are carried at estimated fair value with unrealized holding gains and losses, net of tax impact, if any, reported as a net amount in a separate component of shareholders' equity, accumulated other comprehensive income (loss), until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. The amortization of premiums and accretion of discounts are recognized as adjustments to interest income over the period to maturity.

Investments with fair values that are less than amortized costs are considered impaired. Impairment may result from either a decline in the financial condition of the issuing entity or in the case of fixed interest rate investments, from rising interest rates. At each financial statement date management assesses each investment to determine if impaired investments are temporarily impaired or if the impairment is other than temporary. This assessment includes a determination of whether the Bank intends to sell the security, or it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered other than temporarily impaired and that the Bank doesn't intend to sell and will not be required to sell prior to recovery of the amortized cost basis, the amount of impairment is separated into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is calculated as the difference between the security's amortized costs basis and the present value of its expected future cash flows. The remaining difference between the security's fair value and the present value of the future expected cash flow is deemed to be due to factors that are not credit related and is recognized in other comprehensive income (loss).

Federal Home Loan Bank Stock

As of December 31, 2016 and 2015, Federal Home Loan Bank of San Francisco (FHLB) stock totaling \$2,511,000 and \$2,359,800, respectively, is recorded at cost and is redeemable at par value. Investment in FHLB stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value.

Federal Reserve Bank Stock

As of December 31, 2016 and 2015, Federal Reserve Bank (FRB) stock totaling \$1,411,200 and \$1,486,100, respectively, is recorded at cost and is redeemable at par value. Investment in FRB stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value.

Loans

Loans are stated at the principal amount outstanding, net of the allowance for loan losses, net deferred fees, and unearned discounts, if any. The Bank holds loans receivable primarily for investment purposes. The Bank purchases and sells interests in certain loans referred to as participations. The participations are sold without recourse.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

In 2016 and in 2015, the Bank acquired loans in a business combination that are recorded at estimated fair value on their purchase date. The purchaser cannot carryover the related allowance for loan losses as probable credit losses are considered in the estimation of fair value. Purchased loans are accounted for under either ASC 310-30, Loans and Debt Securities with Deteriorated Credit Quality or ASC 310-20, Non-refundable Fees and other Costs. Certain acquired loans exhibited credit quality deterioration since origination and are therefore being accounted for under ASC 310-30. The acquired loans that did not exhibit credit quality deterioration are accounted for under ASC 310-20.

A significant portion of the Bank's loan portfolio is comprised of adjustable rate loans. Interest on loans is calculated and accrued daily using the simple interest method based on the daily amount of principal outstanding. The accrual of interest is discontinued and any accrued and unpaid interest is charged against current income when the payment of principal or interest is 90 days past due, unless the loan is well secured and in the process of collection.

When the ability to fully collect non-accrual loan principal is in doubt, cash payments received are applied first to principal until such time as full collection of the remaining recorded balance is expected. Generally, loans with temporarily impaired values and loans to borrowers experiencing financial difficulties are placed on non-accrual even though the borrowers continue to repay the loans as scheduled. Loans are returned to accrual basis when principal and interest payments are being paid currently and full payment of principal and interest is probable.

Loan Fees and Costs

Loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan. Other loan fees and charges which represent income from delinquent payment charges, and miscellaneous loan or letter of credit services, are recognized as non-interest income when collected.

Salaries, employee benefits and other expenses totaling \$694,600 and \$774,355 are deferred as loan origination costs for the years ended December 31, 2016 and 2015, respectively.

Allowance for Loan Losses

The allowance for loan losses is evaluated on a regular basis by management. Periodically, the Bank charges current earnings with provisions for estimated probable losses of loans receivable. The provision or adjustment takes into consideration the adequacy of the total allowance for loan losses giving due consideration to specifically identified problem loans, the financial condition of the borrowers, fair value of the underlying collateral, recourse provisions, prevailing economic conditions, and other factors. Additional consideration is given to the Bank's historical loan loss experience relative to the Bank's loan portfolio concentrations related to industry, collateral and geography. This evaluation is inherently subjective and requires estimates that are susceptible to significant change as additional or new information becomes available. Relevant risk characteristics for the Bank's loan portfolio segments include vintage of the loan, debt service coverage, loan-to-value ratios and other financial performance ratios. In addition, regulatory examiners may require additional allowances based on their judgments of the information regarding problem loans and credit risk available to them at the time of their examinations. At December 31, 2016 and 2015, management believes the allowance for loan losses adequately reflects the credit risk in the loan portfolio.

Generally, the allowance for loan loss consists of various components including a component for specifically identified weaknesses as a result of individual loans being impaired, a component for general non-specific weakness related to historical experience, economic conditions and other factors that indicate probable loss in the loan portfolio, and an unallocated component that relates to the inherent imprecision in the use of estimates. Loans determined to be impaired are individually evaluated by management for specific risk of loss.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Losses are recognized as charges to the allowance when the loan or portion of the loan is considered uncollectible or at the time of foreclosure. Recoveries on loans receivable previously charged off are credited to the allowance for loan losses.

Troubled Debt Restructuring

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring. The Bank measures any loss on the troubled debt restructuring in accordance with the guidance concerning impaired loans set forth above. Additionally, loans modified in troubled debt restructurings are generally placed on non-accrual status at the time of restructuring and included in impaired loans. These loans are returned to accrual status after the borrower demonstrates performance with the modified terms for a sustained period of time (generally six months) and has the capacity to continue to perform in accordance with the modified terms of the restructured debt.

Other Real Estate Owned

Other real estate owned (OREO) acquired through, or in lieu of, foreclosure are held-for-sale and are initially recorded at fair value less selling expenses. Any write-downs to fair value at the time of transfer are charged to the allowance for loan losses. Costs to hold OREO are expensed when incurred.

The Bank obtains an appraisal or market valuation analysis on all OREO. If the periodic valuation indicates a decline in the fair value below recorded carrying value, an additional write-down or valuation allowance for OREO losses is established as a charge to earnings. Fair value is based on current market conditions, appraisals, and estimated sales values of similar properties. Operating expenses of such properties, net of related income, are included in other expenses. The Bank may make loans to facilitate the sale of OREO. Gains and losses on the disposition of OREO are included in non-interest expense. Gains and losses on financed sales are recorded in accordance with the appropriate accounting method, taking into consideration the buyers initial and continuing investment in the property, potential subordination and transfer of ownership.

Premises and Equipment

Bank premises and equipment are stated at historical cost less accumulated depreciation or amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of furniture, fixtures and equipment are estimated to be three to five years. Leasehold improvements are amortized over the life of the asset or the term of the related lease, whichever is shorter. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in current income. The cost of maintenance and repairs is charged to expense as incurred.

Cash Surrender Value of Life Insurance

The Bank accounts for its investment in life insurance policies at the amount that could be realized under the insurance contract.

Impairment of Assets

All assets are reviewed for impairment whenever events or changes indicate that the carrying value of the asset may not be recoverable. As of December 31, 2016 and 2015, the Bank determined that no events or changes occurred during 2016 and 2015 that would indicate that the carrying value of any long-lived assets may not be recoverable.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

A loan may be considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. See additional discussion under Fair Value Measurement.

Transfers of Financial Assets

Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The Bank may sell certain portions of government guaranteed loans in the secondary market. These sales are recorded by the Bank when control is surrendered and any warranty period or recourse provision expires. No loans were sold during 2016 or 2015.

Servicing Assets and Liabilities

Periodically, the Bank sells loans and retains the servicing rights. The gain or loss on sale of loans depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

All servicing assets and liabilities are initially measured at fair value. In addition, the Bank amortizes servicing rights in proportion to and over the period of the estimated net servicing income or loss and assesses the rights for impairment. The servicing rights are initially measured at fair value and amortized in proportion to and over the period of the estimated net servicing income assuming prepayments.

Loans serviced for others totaled \$72.2 million and \$85.9 million as of December 31, 2016 and 2015, respectively. Total servicing liabilities, included in other liabilities on the statement of financial condition, were \$292,900 and \$327,600 as of December 31, 2016 and 2015, respectively. Servicing assets totaled \$470,000 and \$725,000 as of December 31, 2016 and 2015, respectively, and were not considered material.

Income Taxes

The Bank uses the asset and liability method to account for income taxes. Under such method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis (temporary differences). Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period of enactment.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

A valuation allowance is established to the extent that it is more than likely than not that the benefits associated with the deferred tax assets will not be realized. The determination, recognition, and measurement of deferred tax assets and the requirement for a related valuation allowance is based on estimated future taxable income.

The Bank recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2016 and 2015, the Bank recognized \$6,250 and zero in interest and penalties, respectively.

The Bank files income tax returns in the U.S. federal jurisdiction and with the State of California. The Bank had no unrecognized tax benefits at December 31, 2016 or 2015.

Non-interest Income

Fees for other client services are recorded as income when the services are performed.

Stock Based Compensation

Stock Options

The Bank recognized in the statement of income the grant-date fair value of stock options and other equity-based forms of compensation issued to employees over the employees' requisite service period (generally the vesting period). The fair value of each option was estimated on the date of grant using the Black-Scholes options pricing model. The fair value method includes an estimate of expected volatility and an estimate of the expected option term, which is based on consideration of the vesting period and contractual term of the option. The Bank does not intend to grant stock options in the future.

Restricted Equity Grants

The Bank granted restricted stock to directors and employees in 2015 and 2016 as shown in footnote 13. The grant-date fair value of the award is amortized on the straight-line basis over the requisite service period, which is generally the vesting period, as compensation expense.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing the net income by the weighted-average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if stock options or warrants were exercised. The treasury stock method is applied to determine the dilutive effect of stock options, restricted stock and warrants in computing diluted EPS. For the period ending December 31, 2016, a total 5,539 stock options, 32,209 unvested restricted stock grants and zero warrants were included in the calculation of diluted common shares. For the period ending December 31, 2015, a total of 10,294 stock options, 25,839 unvested restricted stock grants and 19,475 warrants were included in the calculation of diluted common shares. There were no anti-dilutive shares in 2016 or 2015.

For the periods ended December 31, 2016 and 2015, total weighted average common shares outstanding are as follows:

	2016	2015
Common Stock	5,392,597	5,437,790
Diluted effect of warrants	-	19,475
Diluted effect of restricted stock grants	32,209	25,839
Diluted effect of stock options	8,373	10,294
Total weight average diluted shares	<u>5,433,719</u>	<u>5,493,398</u>

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Common Stock and Warrants

In 2016 and in 2015, warrants to purchase shares of common stock, were zero and 127,283 respectively, with an exercise price of \$9.00 per share were exercised. As of December 31, 2016 and 2015, the Bank repurchased 69,908 and 209,600 shares of common stock respectively. There were zero total warrants outstanding as of December 31, 2016 and 2015.

Comprehensive Income (Loss)

Comprehensive income (loss) includes disclosure of other comprehensive income or loss that historically has not been recognized in the calculation of net income or loss. Unrealized gains and losses on the Bank's available-for-sale investment securities are included in other comprehensive income or loss. Total comprehensive income or loss and the components of accumulated other comprehensive income are presented as a separate statement of comprehensive income.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This Update requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. These amendments are effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and one year later for nonpublic business entities. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Bank is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. Changes made to the current measurement model primarily affect the accounting for equity securities and readily determinable fair values, where changes in fair value will impact earnings instead of other comprehensive income. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The Update also changes the presentation and disclosure requirements for financial instruments including a requirement that public business entities use exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes. This Update is generally effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and one year later for nonpublic business entities. The Bank is currently evaluating the effects of ASU 2016-01 on its financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2018 for public business entities and one year later for all other entities. The Bank is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718)*. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. Under ASU 2016-09, excess tax benefits and certain tax deficiencies will no longer be recorded in additional paid-in capital (“APIC”). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement, and APIC pools will be eliminated. In addition, the guidance requires excess tax benefits be presented as an operating activity on the statement of cash flows rather than as a financing activity. ASU 2016-09 also permits an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required today, or recognized when they occur. This guidance is effective for public business entities for interim and annual reporting periods beginning after December 15, 2016 and for nonpublic business entities annual reporting periods beginning after December 15, 2017 and interim periods within the reporting periods beginning after December 15, 2018. Early adoption is permitted, but all of the guidance must be adopted in the same period. The Bank is currently evaluating the provisions of ASU 2016-09 to determine the potential impact on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today’s guidance delays recognition of credit losses. The standard will replace today’s “incurred loss” approach with an “expected loss” model. The new model, referred to as the current expected credit loss (“CECL”) model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale (“AFS”) debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019 for SEC filers, one year later for non SEC filing public business entities and annual reporting periods beginning after December 15, 2020 for nonpublic business entities and interim periods within the reporting periods beginning after December 15, 2021. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its financial statements.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through February 21, 2017, the date the financial statements were issued.

Effective January 17, 2017, the Bank formed a bank holding company, BayCom Corp. All of the outstanding shares of the Bank’s common stock were exchanged for common stock in BayCom Corp on a one for one basis.

On December 15, 2016, the Bank announced the merger agreement with United Business Bank and First ULB Corp. The merger is expected to close in the second quarter of 2017. BayCom Corp will issue approximately 1,372,300 shares of common stock plus \$19.0 million in cash in exchange for the all of the common shares outstanding of First ULB Corp. In additional, BayCom Corp will assume all of the Trust Preferred securities. The

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

total value of the merger transaction is approximately \$38.0 million. Each share of First ULB's common stock outstanding converted into 0.9733 shares of the BayCom's common stock. As of September 30, 2016, First ULB had total assets of \$452.6 million and \$405.6 million in deposits. The merger transaction will be accounted for using the acquisition method of accounting for business combinations FASB ASC 805, Business Combinations. The September 30, 2016 proforma net assets acquired and the liabilities assumed are estimated to be approximately \$31.2 million at the date of merger. The fair value of First ULB's assets acquired and liabilities assumed has not yet been fully determined.

Reclassifications

Certain prior year amounts may have been reclassified to conform to the current year presentation. None of the reclassifications impact net income or net earnings per common share.

2. ACQUISITION

On February 13, 2015, to enhance market share, the Bank merged with Valley Community Bank adding three branch offices located in Pleasanton, Livermore, and San Jose, California. The Bank issued 675,867 shares at a price of \$11.80 per share of common stock in exchange for the all of the common shares outstanding of Valley Community Bank. In addition, the Bank repurchased all of the Series A and B (Fixed-Rate Non-Cumulative Perpetual) Preferred Stock for total cash consideration of \$4.3 million. Each share of Valley Community Bank's common stock outstanding converted into 0.345 shares of the Bank's common stock. As of the merger date, the fair value of Valley Community Bank's assets totaled approximately \$130.0 million and deposits totaled approximately \$107.9 million. The fair value of estimates are subject to change during the measurement period, after the acquisition date as additional information relative to the acquisition date fair values becomes available. The merger transaction is accounted for using the acquisition method of accounting for business combinations FASB ASC 805, Business Combinations. The net assets acquired and the liabilities assumed totaled approximately \$17.7 million at the date of merger. The Bank assumed the lease obligation related to each branch facility.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following table summarizes the fair value of the assets acquired and liabilities assumed at the acquisition date:

	Acquisition Date <u>February 13, 2015</u>
Fair value of Assets:	
Cash and due from Banks	\$ 23,986,278
Federal funds sold	36,298
Total cash and cash equivalents	24,022,576
Investment securities	24,685,482
FHLB stock	713,800
Loans	69,617,632
Core deposit intangible	838,000
Deferred tax asset	5,115,000
Servicing asset	792,000
BOLI	3,100,476
Other assets	690,882
Total assets acquired	129,575,848
Liabilities:	
Deposits	
Noninterest bearing	32,974,746
Interest bearing	74,896,159
Total deposits	107,870,905
Salary continuation plan	3,000,000
Servicing liability	171,000
Contingent liabilities - SBA repair risk	550,000
Other liabilities	252,288
Total liabilities assumed	111,844,193
Consideration paid	12,321,655
Bargain purchase gain (included in non-interest income)	\$ 5,410,000

The bargain purchase gain represents the excess of the estimated fair value of the assets acquired over the estimated fair value of the liabilities assumed. The consideration paid represented a substantial discount to the book value of pre-Merger Valley community Bank's net assets at the acquisition date.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following table presents the net assets acquired and the estimated fair value adjustments, which resulted in a bargain purchase gain as the acquisition date:

	Acquisition Date <u>February 13, 2015</u>
Book value of net assets acquired	\$ 19,290,655
Fair value adjustments:	
Loans	(6,340,000)
Servicing asset	(451,000)
Contingent liabilities - servicing	(171,000)
Contingent liabilities - SBA repair risk	(550,000)
Core deposit intangible	838,000
Deferred tax assets	<u>5,115,000</u>
Total purchase accounting adjustments	<u>(1,559,000)</u>
Fair value of assets acquired	17,731,655
Common stock issued	7,975,620
Cash paid	<u>4,346,035</u>
Total price paid	<u>12,321,655</u>
Bargain purchase gain (included in non-interest income)	<u>\$ 5,410,000</u>

The following is a description of the methods used to determine the fair value of significant assets and liabilities at the acquisition date.

Loans

The fair values for acquired loans were calculated using a discounted cash flow analysis based on the present value of the expected cash flows utilizing market-derived discount rates and certain assumptions related to expected cash flows including prepayment estimates adjusted based on loan type and seasoning, and probability of default and loss severity. For purchased non-credit impaired loans (PNCI), the total gross contractual amounts receivable was \$63.4 million as of the acquisition date. For purchased credit impaired loans (PCI), the total contractual amounts receivable was \$12.6 million as of the date of acquisition. The fair value of the PCI loans is estimated to total \$8.4 million as of the date of acquisition.

The PNCI loans with similar characteristics were grouped together and were treated in the aggregate when applying the discount rate on the expected cash flows. Aggregation factors considered include the type of loan and related collateral, risk classification, fixed or variable interest rate, term of loan and whether or not the loan was amortizing. The discount rates used for the similar groups of loans are based on current market rates for new originations of comparable loans, where available, and include adjustments for credit and liquidity factors. In addition, the guarantee of certain retained SBA guaranteed loans is reflected in the fair value.

In estimating the fair value of PCI loans at the acquisition date, the Bank calculated the contractual amount and timing of undiscounted principal and interest payments and estimated the amount and timing of undiscounted expected principal and interest payments. The difference between these two amounts represented the nonaccretable difference. On the acquisition date, the amount by which the undiscounted expected cash flows exceed the estimated fair value of the acquired loans is the "accretable yield". The accretable yield is then measured at each financial reporting date and represented the difference between the remaining undiscounted

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

expected cash flows and the current carrying value of the loans. For PCI loans the accretable yield is accreted into interest income over the life of the estimated remaining cash flows. At each financial reporting date, the carrying value of each PCI loan is compared to an updated estimate of expected principal payment or recovery on each loan. To the extent that the loan carrying amount exceeds the updated expected principal payment or recovery, a provision of loan loss would be recorded as a charge to income and an allowance for loan loss established.

The following table reflects contractual cash flows, nonaccretable difference, accretable yield, fair value, purchase discount, and principal balance for the various loan categories as of the acquisition date. For PCI loans, the purchase discount does not necessarily represent cash flows to be collected as a portion of it is a nonaccretable difference:

	February 13, 2015		
	Credit-impaired loans	Non-credit impaired loans	Total
Contractually required payments including interest	\$ 15,074,202	\$ 63,406,430	\$ 78,480,632
Less: nonaccretable difference	(2,830,000)	-	(2,830,000)
Cash flows expected to be collected (undiscounted)	12,244,202	63,406,430	75,650,632
Accretable yield	(3,888,000)	(2,145,000)	(6,033,000)
Fair value of purchased loans	<u>\$ 8,356,202</u>	<u>\$ 61,261,430</u>	<u>\$ 69,617,632</u>

Servicing Assets and Liabilities

The merger included the acquisition of loans serviced for others including the SBA. The fair value of the servicing assets and contingent liabilities were calculated based on the net present value of the servicing income stream using a market-derived discount rate and estimated expected cash flows based on the estimated life of the underlying loans less the estimated cost of servicing plus a normal profit. In addition, the SBA has certain remedies in the event that a loan is not underwritten or serviced within its guidelines. Those remedies include requiring the Bank to repurchase the guaranteed portion loans or that the certain losses or expenses be reimbursed by the Bank. The loss related to this uncertainty was estimated taking into consideration the SBA guaranteed portion of PCI loans based on loan type and seasoning, probability of default, loss severity, and probability the SBA will exercise its remedies.

Core Deposit Intangible

The core deposit intangible asset, with an estimated acquisition date fair value of \$838,000, represents the value ascribed to the long-term deposit relationships acquired and is being amortized over an estimated average useful life of four years. The estimated retention rates used to calculate the fair values were 95% for transaction accounts, 95% for savings deposits and 90% for money market deposits. The core deposit intangible is estimated not to have a significant residual value. The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates offered by market participants as of the acquisition date on time deposits with similar maturity terms as the discount rates.

Deposits

The fair values used for the retail DDA and Now deposits were equal to the amounts payable on demand at the acquisition date. There was no fair value adjustment for time deposits as the fair values were equal to the carrying value as of the acquisition date based on the discounted cash flow that applied interest rates offered by market participants as of the acquisition date on time deposits with similar maturity dates.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pro Forma Results of Operations

The contribution of the acquired operations from the former Valley Community Bank to our results of operations for the 2015 is as follows:

	Revenue	Earnings
Actual from February 13, 2015 to December 31, 2015	\$ 10,449,300	\$ 6,587,000
2015 supplemental proforma from January 1, 2015 to December 31, 2015	10,992,200	6,582,900

These amounts include the bargain purchase gain, acquisition-related third party expenses, accretion of the discounts on acquired loans and amortization of the fair value mark adjustments on core deposit intangible. Valley Community Bank's results of operations prior to the merger date are not included in the Bank's results for 2015. The contribution shown above excludes allocated overhead and allocated cost of funds.

Acquisition-related expenses are recognized as incurred and continue until all systems are converted and operational functions become fully integrated. We incurred third-party acquisition-related expenses in the following line items in the statement of income for the year ended December 31, 2015 as follows:

	<u>December 31, 2015</u>
Acquisition related expenses	
Professional fees	\$ 197,000
Data processing	820,000
Severance expense	540,000
Other	143,000
Total	\$ 1,700,000

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. INVESTMENTS

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2016 and 2015 consist of the following:

2016	Amortized <u>Cost</u>	Gross Unrealized <u>Gain</u>	Gross Unrealized <u>Loss</u>	Estimated Fair <u>Value</u>
Municipal securities	\$ 4,003,249	\$ 82,062	\$ (4,112)	\$ 4,081,199
Mortgage-backed securities	1,665,765	18,195	(410)	1,683,550
Collateralized mortgage obligations	1,731,852	38,073	(108)	1,769,817
U.S. Government Agencies	5,357,360	19,103	-	5,376,463
U.S. Treasury	1,007,883		(1,634)	1,006,249
Total investment securities	<u>\$ 13,766,109</u>	<u>\$ 157,433</u>	<u>\$ (6,264)</u>	<u>\$ 13,917,278</u>

2015	Amortized <u>Cost</u>	Gross Unrealized <u>Gain</u>	Gross Unrealized <u>Loss</u>	Estimated Fair <u>Value</u>
Municipal securities	\$ 5,002,153	\$ 164,407	\$ (6,810)	\$ 5,159,750
Mortgage-backed securities	2,207,070	24,358	(2,901)	2,228,527
Collateralized mortgage obligations	2,813,210	24,323	(13,069)	2,824,465
U.S. Government Agencies	12,352,908	29,975	(10,487)	12,372,394
U.S. Treasury	1,031,264	-	(1,886)	1,029,378
Total investment securities	<u>\$ 23,406,605</u>	<u>\$ 243,063</u>	<u>\$ (35,153)</u>	<u>\$ 23,614,514</u>

No investment securities were sold in 2016 and 2015.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The unrealized losses at December 31, 2016 and 2015 are summarized and classified according to the duration of the loss period as follows:

2016	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Municipal securities	\$ 514,767	\$ (966)	\$ 843,397	\$ (3,146)	\$ 1,358,165	\$ (4,112)
Mortgage-backed securities	507,602	(230)	66,363	(180)	573,965	(410)
Collateralized mortgage obligations	-	-	117,049	(108)	117,050	(108)
U.S. Government Agencies	-	-	-	-	-	-
U.S. Treasury	1,006,250	(1,634)	-	-	1,006,250	(1,634)
Total	\$ 2,028,619	\$ (2,830)	\$ 1,026,809	\$ (3,434)	\$ 3,055,430	\$ (6,264)

2015	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Municipal securities	\$ 1,129,692	\$ (2,881)	\$ 412,899	\$ (3,930)	\$ 1,542,591	\$ (6,810)
Mortgage-backed securities	388,933	(2,607)	19,588	(294)	408,521	(2,901)
Collateralized mortgage obligations	-	-	667,739	(13,069)	667,739	(13,069)
U.S. Government Agencies	6,468,574	(10,487)	-	-	6,468,574	(10,487)
U.S. Treasury	1,030,160	(1,886)	-	-	1,030,160	(1,886)
Total	\$ 9,017,359	\$ (17,861)	\$ 1,100,226	\$ (17,292)	\$ 10,117,585	\$ (35,153)

Certain investment securities shown in the previous table have fair values less than amortized cost and therefore contain unrealized losses. The Bank considers a number of factors including, but not limited to: (a) length of time and the extent to which the fair value has been less than the amortized costs, (b) the financial condition and near-term prospects of the issuer, (c) the intent and ability of the Bank to retain its investment for a period of time sufficient to allow for an anticipated recovery in value, (d) whether the debtor is current on interest and principal payments, and (e) general market conditions and the industry or sector-specific outlook. Management has evaluated all securities at December 31, 2016 and has determined that no securities are other than temporarily impaired. Because the Bank does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, which may be maturity, the Bank does not consider these securities to be other-than temporarily impaired.

At December 31, 2016, the Bank held 66 investment securities, of which six of were in a loss position for more than twelve months in 2016 and seven were in an unrealized loss position for less than twelve months in 2016. These temporary unrealized losses relate principally to current interest rates for similar types of securities. The Bank anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The amortized cost and estimated fair value of debt securities at December 31, 2016 and 2015, by call date are shown below. Expected maturities will differ from contractual maturities because a borrower may have the right to call or pre-pay obligations with or without call or prepayment penalties.

	2016		2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 3,744,688	\$ 3,740,396	\$ 1,540,442	\$ 1,536,287
Due after one year through five years	4,661,766	4,689,212	14,634,938	14,661,858
Due after five year through ten years	4,919,482	5,039,548	6,215,252	6,406,101
Due after ten years	440,173	448,124	1,015,973	1,010,268
Total	<u>\$ 13,766,109</u>	<u>\$ 13,917,280</u>	<u>\$23,406,605</u>	<u>\$ 23,614,514</u>

At December 31, 2016 and 2015, available for sale securities with a carrying amount of approximately \$2,176,000 and \$3,011,000, respectively, were pledged to secure borrowing arrangements with the Federal Home Loan Bank (see Note 9).

4. LOANS

The Bank's loan portfolio at December 31, 2016 and 2015 is summarized below:

	2016	2015
Commercial	\$ 71,093,278	\$ 71,380,309
Construction and land	19,745,484	19,217,128
Commercial real estate	384,278,313	343,232,340
Residential real estate	31,916,600	29,603,136
Consumer	1,316,571	966,786
Total loans	<u>\$ 508,350,246</u>	<u>\$ 464,399,699</u>
Deferred loan fees and costs, net	(311,220)	(342,085)
Allowance for loan losses	<u>(3,775,000)</u>	<u>(3,850,000)</u>
Net loans	<u>\$ 504,264,026</u>	<u>\$ 460,207,614</u>

For the years ended December 31, 2016 and 2015, the Bank had \$1,090,007 and \$333,676, respectively, of impaired loans on nonaccrual. For the period ended December 31, 2016 and 2015, if interest had been accrued such income would have been approximately \$31,900 and \$22,000, respectively.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

As of December 31, 2016 and 2015, the Bank's impaired or non-accrual originated and PNCI loans have a related allowance for loss as follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2016					
With no related allowance recorded					
Commercial	\$ 229,752	\$ 229,752	-	\$ 229,752	-
Construction and land	-	-	-	-	-
Commercial real estate	631,640	631,640	-	652,371	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded					
Commercial	\$ 228,615	\$ 228,615	\$ 45,500	\$ 243,485	-
Construction and land	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total	<u>\$ 1,090,007</u>	<u>\$ 1,090,007</u>	<u>\$ 45,500</u>	<u>\$ 1,125,607</u>	<u>\$ -</u>
2015					
With no related allowance recorded					
Commercial	\$ 333,676	\$ 333,676	\$ -	\$ 339,910	\$ -
Construction and land	-	-	-	-	-
Commercial real estate	2,020,641	2,601,989	-	2,039,191	129,360
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded					
Commercial	\$ -	\$ -	\$ -	-	\$ -
Construction and land	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total	<u>\$ 2,354,317</u>	<u>\$ 2,935,665</u>	<u>\$ -</u>	<u>\$ 2,379,101</u>	<u>\$ 129,360</u>

As of December 31, 2016 and 2015, the Bank had no loans 90 days delinquent and still accruing interest. During 2016 and 2015, the Bank did not recognize any interest income under the cash basis.

As of December 31, 2016 and 2015, the Bank had troubled debt restructured loans totaling \$631,640 and zero, respectively. In 2015, the Bank recorded a \$71,636 charge-off related to restructured loans and none in 2016. As of December 31, 2016, restructured loans had no related allowance.

As of December 31, 2016 and 2015, the Bank has fixed rate loans totaling \$152.5 million and \$234.7 million, respectively, and variable rate loans total \$355.9 million and \$229.7 million, respectively. As of December 31, 2016, variable rate loans with interest rate caps of 12% or lower total \$35.4 million none of which have reached their caps, and a total of \$122.9 million have interest rate floors, all of which are at their floors. More than 55% of the variable interest rate loans are tied to the Prime rate, as reported by the Wall Street Journal, and can adjust periodically based on changes in the Prime rate. At December 31, 2016 and 2015, a total of \$129.8 million and \$20.1 million, respectively, of variable rate loans are tied to the treasury constant maturity rate (TCM) as published

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

by the Federal Reserve and adjust every one to three years. At December 31, 2016 and 2015, \$27.9 million and \$3.7 million, respectively, of variable rate loans are tied other indexes (LIBOR and FHLB) and adjust every month up to every five years.

Loans are made primarily for business, personal, and real estate purposes concentrated in Alameda, Santa Clara, Contra Costa and Napa counties, and the Central Valley, including San Joaquin and Sacramento counties. As of December 31, 2016, the Bank's loans outstanding comprised 75.6% term mortgage-type loans secured primarily by commercial real estate, 3.1% for the purpose of constructing commercial and residential property, 0.8% for the purpose of holding or acquiring unimproved land, 6.3% term mortgage-type loans secured by residential property, and 14.0% for general commercial uses including professional, retail, and small business. Less than 0.3% of the Bank's loans are consumer loans.

As of December 31, 2016, the Bank's unsecured loans outstanding totaled 4.4% of total loans. Real estate loans are secured by real property. Secured commercial and other loans are secured by deposits, or business or personal assets. The Bank's policy for requiring collateral is based on analysis of the borrower, the borrower's industry and the economic environment in which the loan is granted. The loans are expected to be repaid from cash flows or proceeds from the sale of selected assets of the borrower.

As of December 31, 2016 and 2015, the single largest loan totaled \$13.0 million and \$10.3 million, respectively, and is secured by commercial real estate. As of December 31, 2016 and 2015, undisbursed commitments total \$68.9 million and \$92.4 million, respectively.

The Bank evaluates and assigns a risk grade to each loan based on certain criteria to assess the credit quality of each loan. The assignment of a risk rating is done for each individual loan. Loans are graded from inception and on a continuing basis until the debt is repaid. Any adverse or beneficial trends will trigger a review of the loan risk rating. Each loan is assigned a risk grade based on its characteristics. Loans with low to average credit risk are assigned a lower risk grade than those with higher credit risk as determined by the individual loan characteristics.

The Bank's pass loans includes loans with acceptable business or individual credit risk where the borrower's operations, cash flow or financial condition provides evidence of low to average levels of risk.

Loans that are assigned higher risk grades are loans that exhibit the following characteristics:

A special mention asset has potential weaknesses that deserve close attention. If left uncorrected, these potential weaknesses may result in a deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Loans in this category would be characterized by any of the following situations.

- ◆ Credit that is currently protected but is potentially a weak asset.
- ◆ Credit that is difficult to manage because of an inadequate loan agreement, the condition of and/or control over collateral, failure to obtain proper documentation, or any other deviation from product lending practices.
- ◆ Adverse financial trends.

Special Mention should be a temporary rating, pending the occurrence of an event that would cause the risk rating to either improve or to be downgraded.

A substandard asset is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Assets are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. The potential loss does not have to be recognizable in an individual credit for that credit to be risk rated substandard.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

A loan can be fully and adequately secured and still be considered substandard. Some characteristics of substandard loans are:

- ◆ Inability to service debt from ordinary and recurring cash flow.
- ◆ Chronic delinquency
- ◆ Reliance upon alternative sources of repayment.
- ◆ Term loans that are granted on liberal terms because the borrower cannot service normal payments for that type of debt.
- ◆ Repayment dependent upon the liquidation of collateral.
- ◆ Inability to perform as agreed, but adequately protected by collateral.
- ◆ Necessity to renegotiate payments to a non-standard level to ensure performance.
- ◆ The borrower is bankrupt, or for any other reason, future repayment is dependent on court action.

Any asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and value, highly questionable and improbable. Doubtful assets have a high probability of loss, yet certain important and reasonably specific pending factors may work toward the strengthening of the asset. The Bank had one loan totaling \$229,752 and two loans in the combined amount of \$333,676 classified as doubtful as of December 31, 2016 and 2015, respectively. Both loans are guaranteed by the California government and not accruing interest as described above.

Assets classified loss are considered uncollectible and of minimal value. Assets classified losses are charged off against the allowance for loan losses.

The following table summarizes the Bank's loan portfolio by credit quality and product and/or collateral type as of December 31, 2016 and 2015:

2016	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Commercial	\$ 68,719,555	\$ 311,347	\$ 1,832,625	\$ 229,752	\$ 71,093,278
Construction and land	16,808,484	-	2,937,000	-	19,745,484
Commercial real estate	379,073,785	2,602,540	2,601,989	-	384,278,313
Residential real estate	31,916,600	-	-	-	31,916,600
Consumer	1,316,571	-	-	-	1,316,571
Total	<u>\$497,834,995</u>	<u>\$ 2,913,887</u>	<u>\$ 7,371,613</u>	<u>\$ 229,752</u>	<u>\$ 508,350,246</u>
2015	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Commercial	\$ 66,039,590	\$ 728,889	\$ 4,278,154	\$ 333,676	\$ 71,380,309
Construction and land	16,230,128	-	2,987,000	-	19,217,128
Commercial real estate	340,010,673	1,201,026	2,020,641	-	343,232,340
Residential real estate	29,603,136	-	-	-	29,603,136
Consumer	966,786	-	-	-	966,786
Total	<u>\$452,850,313</u>	<u>\$ 1,929,915</u>	<u>\$ 9,285,795</u>	<u>\$ 333,676</u>	<u>\$ 464,399,699</u>

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following table provides an aging of the Bank's loans receivable as of December 31, 2016 and 2015.

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	PCI Loans	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
2016								
Commercial	\$ -	\$ -	\$ 229,752	\$ 229,752	\$ 70,756,243	\$ 107,283	\$ 71,093,278	-
Construction and land	-	-	-	-	19,745,484	-	19,745,484	-
Commercial real estate	624,865	-	-	624,865	377,772,060	5,881,388	384,278,313	-
Residential	-	-	-	-	30,498,059	1,418,541	31,916,600	-
Consumer	-	-	-	-	1,316,571	-	1,316,571	-
Total	<u>\$ 624,865</u>	<u>\$ -</u>	<u>\$ 229,752</u>	<u>\$ 854,617</u>	<u>\$ 500,088,417</u>	<u>\$ 7,407,212</u>	<u>\$ 508,350,246</u>	<u>\$ -</u>
2015								
Commercial	\$ -	\$ -	\$ 333,676	\$ 333,676	\$ 70,798,926	\$ 247,708	\$ 71,380,309	-
Construction and land	-	-	-	-	19,217,128	-	19,217,128	-
Commercial real estate	-	-	-	-	335,061,200	8,166,701	343,232,340	-
Residential	-	-	-	-	28,163,585	1,439,551	29,603,136	-
Consumer	499	-	-	499	966,287	-	966,786	-
Total	<u>\$ 499</u>	<u>\$ -</u>	<u>\$ 333,676</u>	<u>\$ 334,175</u>	<u>\$ 454,207,126</u>	<u>\$ 9,853,960</u>	<u>\$ 464,399,699</u>	<u>\$ -</u>

The following table reflects contractual cash flows, non-accretable difference, accretable yield, and carrying amount for PCI loans as of December 31, 2016 and 2015.

	2016 Credit-impaired Loans	2015 Credit-impaired Loans
Contractually required payments, including interest	\$ 10,649,793	\$ 16,076,681
Less: non-accretable difference	(2,931,522)	(3,478,590)
Cash flows expected to be collected (undiscounted)	7,718,271	12,598,091
Accretable Yield	(311,059)	(2,744,132)
Carrying Amount	<u>\$ 7,407,212</u>	<u>\$ 9,853,959</u>

The following table is a summary of the change in accretable yield for PCI loans for the period ended December 31, 2016 and 2015.

	2016	2015
Balance at beginning of period	\$ 2,744,132	\$ 21,071
Additions	-	3,888,134
Removals	(764,560)	(80,618)
Accretion	(1,668,513)	(1,084,455)
Balance at end of period	<u>\$ 311,059</u>	<u>\$ 2,744,132</u>

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. ALLOWANCE FOR LOAN LOSSES

The following table summarizes the Bank's allowance for loan losses for the year ended December 31, 2016 and 2015 by loan product and collateral type:

2016	Commercial	Construction and Land	Commercial Real Estate	Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	\$ 1,418,000	\$ 212,000	\$ 1,735,000	\$ 131,000	\$ 3,000	\$ 351,000	\$ 3,850,000
Charge-offs	(490,401)	-	(250,063)	-	-	-	(740,464)
Recoveries	54,641	-	-	-	12,359	-	67,001
Provision	28,760	75,000	620,063	20,000	(11,359)	(134,000)	598,463
Ending balance	<u>\$ 1,011,000</u>	<u>\$ 287,000</u>	<u>\$ 2,105,000</u>	<u>\$ 151,000</u>	<u>\$ 4,000</u>	<u>\$ 217,000</u>	<u>\$ 3,775,000</u>
Allowance for loan loss related to:							
Loans individually evaluated for impairment	\$ 45,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,500
Loans collectively evaluated for impairment	965,500	287,000	2,105,000	151,000	4,000	217,000	3,729,500
PCI loans	-	-	-	-	-	-	-
Balance of loans:							
Individually evaluated for impairment	458,367	-	631,640	-	-	-	1,090,007
Collectively evaluated for impairment	70,527,628	19,745,484	377,765,285	30,498,059	1,316,571	-	499,853,027
PCI loans	107,283	-	5,881,388	1,418,541	-	-	7,407,212
Balance of loans collectively evaluated for impairment	<u>70,634,911</u>	<u>19,745,484</u>	<u>383,646,673</u>	<u>31,916,600</u>	<u>1,316,571</u>	<u>-</u>	<u>507,260,239</u>
Total	<u>\$ 71,093,278</u>	<u>\$ 19,745,484</u>	<u>\$ 384,278,313</u>	<u>\$ 31,916,600</u>	<u>\$ 1,316,571</u>	<u>\$ -</u>	<u>\$ 508,350,246</u>
2015	Commercial	Construction and Land	Commercial Real Estate	Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	\$ 1,328,000	\$ 282,000	\$ 520,000	\$ 277,000	\$ 3,000	\$ 90,000	\$ 2,500,000
Charge-offs	(95,042)	-	-	-	(12,959)	-	(108,001)
Recoveries	46,001	-	-	-	-	-	46,001
Provision	139,041	(70,000)	1,215,000	(146,000)	12,959	261,000	1,412,000
Ending balance	<u>1,418,000</u>	<u>212,000</u>	<u>1,735,000</u>	<u>131,000</u>	<u>3,000</u>	<u>351,000</u>	<u>3,850,000</u>
Allowance for loan loss related to:							
Loans individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans collectively evaluated for impairment	1,418,000	212,000	1,735,000	131,000	3,000	351,000	3,850,000
PCI loans	-	-	-	-	-	-	-
Balance of loans:							
Individually evaluated for impairment	333,676	-	2,020,641	-	-	-	2,354,317
Collectively evaluated for impairment	70,798,925	19,217,128	333,044,999	28,163,585	966,786	-	452,191,423
PCI loans	247,708	-	8,166,700	1,439,551	-	-	9,853,959
Balance of loans collectively evaluated for impairment	<u>71,046,633</u>	<u>19,217,128</u>	<u>341,211,699</u>	<u>29,603,136</u>	<u>966,786</u>	<u>-</u>	<u>462,045,382</u>
Total	<u>\$ 71,380,309</u>	<u>\$ 19,217,128</u>	<u>\$ 343,232,340</u>	<u>\$ 29,603,136</u>	<u>\$ 966,786</u>	<u>\$ -</u>	<u>\$ 464,399,699</u>

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures and equipment	\$ 2,280,082	\$ 2,257,478
Leasehold improvements	1,171,573	1,037,669
Less accumulated depreciation and amortization	<u>(2,345,625)</u>	<u>(1,904,586)</u>
Total premises and equipment, net	<u>\$ 1,106,030</u>	<u>\$ 1,390,561</u>

Depreciation and amortization included in occupancy and equipment expense total \$498,751 for the year ended December 31, 2016 and \$487,345 for the year ended December 31, 2015.

The Bank leases its branches and administration office under noncancelable operating leases. These leases expire on various dates through 2023. All leases have options to renew for five years. Future minimum lease payments are as follows:

Year Ending December 31,

2017	\$ 1,281,311.60
2018	1,202,806
2019	1,094,089
2020	819,434
2021	591,843
Thereafter	<u>728,759</u>
Total	<u>\$ 5,718,243</u>

Rental expense included in occupancy and equipment expense totals \$1,409,881 and \$1,395,798 for the years ended December 31, 2016 and 2015, respectively.

7. OTHER REAL ESTATE OWNED

Other real estate owned as of December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Commercial real estate	\$ 954,000	\$ -
Valuation allowance	<u>(179,000)</u>	-
Total	<u>\$ 775,000</u>	<u>\$ -</u>

As of December 31, 2016 and 2015, there were no loans in the process of foreclosure.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. DEPOSITS

Deposits consisted of the following at December 31, 2016 and 2015:

	2016	2015
Demand deposits	\$ 128,696,712	\$ 152,012,575
NOW accounts and Savings	53,185,696	53,981,517
Money market	247,732,437	210,522,820
Time – less than \$250,000	80,808,465	73,539,294
Time – \$250,000 or more	80,335,450	53,247,628
Total deposits	<u>\$ 590,758,760</u>	<u>\$ 543,303,834</u>

At December 31, 2016 and 2015, the weighted average stated rate is 0.63% and 0.51%, respectively. At December 31, 2016, approximately \$96.9 million, or 16.4 %, of the Bank's deposits are derived from ten (10) depositors. At December 31, 2015, approximately \$71.5 million, or 13.2%, of the Bank's deposits are derived from ten (10) depositors.

The Bank accepts deposits related to real estate transactions qualifying under the Internal Revenue Code Section 1031, Tax Deferred Exchanges. These deposits fluctuate as the sellers of real estate have up to six months to invest in replacement real estate to defer the income tax on the property sold. The Bank also accepts deposits related to business escrow services. Deposits related to these activities total \$14.5 million and \$27.7 million at December 31, 2016 and 2015, respectively. Average deposit balances for these activities totaled \$20.1 million and \$11.9 million during 2016 and 2015, respectively.

At December 31, 2016, aggregate annual maturities of time deposits are as follows:

Year Ending December 31,

2017	\$ 134,356,976
2018	19,311,791
2019	5,681,902
2020	400,600
2021	1,392,646
	<u>\$ 161,143,915</u>

Interest expense, net of early withdrawal penalty, recognized on interest-bearing deposits for the years ended December 31, 2016 and 2015 consists of the following:

	2016	2015
NOW accounts and savings	\$ 98,179	\$ 90,686
Money market	1,499,262	1,257,911
Time-less than \$250,000	1,113,745	1,115,729
Time-\$250,000 or more	760,020	670,536
Total	<u>\$ 3,471,205</u>	<u>\$ 3,134,862</u>

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. OTHER BORROWINGS

Other borrowings for the period ending and as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Outstanding balance	\$ -	\$ -
Interest rate	0.00%	0.00%
Average balance	\$ 76,503	\$ 991,780
Average interest rate	0.57%	0.53%
Maximum balance	\$ 26,000,000	\$ 6,000,000

The Bank has an approved secured borrowing facility with the FHLB for up to 25% of total assets for a term not to exceed five years under a blanket lien of certain types of loans. There were no outstanding borrowings under this facility at December 31, 2016 and December 31, 2015.

The Bank has two Federal Funds lines with available commitments totaling \$20.0 million with two correspondent banks. There are no amounts outstanding under these facilities at December 31, 2016 and 2015.

10. INCOME TAXES

Income taxes expense for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Current income taxes	\$ 2,060,195	\$ 676,618	\$ 5,391,089	\$ 1,296,707
Deferred income taxes, net	1,221,788	476,899	(4,111,859)	(864,707)
Total provision for income taxes	<u>\$ 3,281,983</u>	<u>\$ 1,153,517</u>	<u>\$ 1,279,230</u>	<u>\$ 432,000</u>

The provision for income tax differs from the amounts computed by applying the statutory Federal and State income tax rates.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The significant items comprising these differences for the years ended December 31, 2016 and 2015 consist of the following:

	2016		2015	
	Amount	Rate %	Amount	Rate %
Federal statutory tax rate	\$ 3,518,128	34.00%	\$ 3,115,649	34.00%
State statutory tax rate, net of				
Federal effective tax rate	726,630	7.02%	655,203	7.15%
Tax exempt interest	(13,482)	-0.13%	(29,410)	-0.32%
Bank owned life insurance	(72,686)	-0.70%	(68,246)	-0.74%
Bargain purchase gain	-	0.00%	(2,226,215)	-24.29%
Acquisition expenses	-	0.00%	41,150	0.45%
Other	276,910	2.68%	223,099	2.43%
Total income tax expense	\$ 4,435,500	42.86%	\$ 1,711,230	18.67%

Deferred tax assets at December 31, 2016 and 2015, included as a component of other assets in the Statement of Financial Condition, consisted of the following:

Deferred tax assets, net of liabilities:	2016	2015
Net operating loss carryforward	\$ 4,572,719	\$ 5,002,599
Mark to market adjustments	1,999,993	3,267,413
Amortization of start up costs	206,310	236,138
Write down of OREO	-	-
Allowance for loan losses	1,553,579	1,584,444
Deferred loan fees net of costs	-	88,548
Stock based compensation	3,864	2,006
FHLB stock dividend	(117,397)	(117,356)
Unrealized gain on AFS securities	(25,849)	357,308
Salary continuation plan	1,299,037	1,301,638
Other	511,400	362,762
Total deferred tax assets	\$ 10,003,656	\$ 12,085,500

The utilization of the net operating losses is subject to an annual limit pursuant to Section 382 of the Internal Revenue Code. The amount of the annual limitations for Federal and California Franchise Tax purpose is \$1.1 million and begins expiring in 2028. As of December 31, 2016 and 2015, there is no valuation allowance based on management's estimate that the Bank will more likely than not be able to utilize all of the deferred tax assets prior to expiration. At December 31, 2016, Federal net operating losses included in the deferred tax asset totaled \$10.9 million and California net operating losses totaled \$14.2 million.

The Bank files income tax returns in the U.S. federal jurisdiction and in California. The Bank's policy is to recognize penalties and interest as income tax expense.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. COMMITMENTS AND CONTINGENCIES

Lending and Letter of Credit Commitments

In the normal course of business, the Bank enters into various commitments to extend credit which are not reflected in the financial statements. These commitments consist of the undisbursed balance on personal and commercial lines of credit and of undisbursed funds on construction and development loans. At December 31, 2016 and 2015, undisbursed commitments total \$68,853,000 and \$92,358,000, respectively. In addition, at December 31, 2016 and 2015, the Bank has issued standby letter of credit commitments, primarily issued for 3rd party performance obligations of Bank clients totaling \$30,500 and \$5,724,000, respectively, of which zero was outstanding at both December 31, 2016 and December 31, 2015.

The actual liquidity needs or the credit risk that the Bank will experience will be lower than the contractual amount of commitments to extend credit because a significant portion of these commitments are expected to expire without being drawn upon. The Bank's outstanding loan commitments are made using the same underwriting standards as comparable outstanding loans. As of December 31, 2016 and 2015, the reserve associated with these commitments is \$280,000, for both years.

Local Agency Deposits

In the normal course of business, the Bank accepts deposits from local agencies. The Bank is required to provide collateral for certain local agency deposits. As of December 31, 2016 and 2015, the FHLB issued a letter of credit on behalf of the Bank totaling \$10,000,000 for both years, as collateral for local agency deposits.

Litigation and Legal Claims

In the normal course of business, the Bank may be subject to claims and lawsuits. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the financial position of the Bank.

12. EMPLOYEE BENEFIT PLANS

401(k) Plan

Effective January 1, 2005, the Bank adopted a qualified 401(k) profit sharing plan (401(k) Plan) that covers substantially all full-time employees. The 401(k) Plan permits voluntary contributions by participants and provides for voluntary matching contributions by the Bank. For the years ended December 31, 2016 and 2015 the Bank made contributions to the plan of \$258,500 and \$210,300, respectively.

Salary Continuation Plan

In 2015, the Bank acquired a salary continuation plan for two former VCB executive officers through the VCB merger agreement. This liability was fully vested and accrued for at the acquisition date. Accordingly, there is no on-going expense related to this continuation plan.

In 2014, the Bank implemented a salary continuation plan for one executive officer. Under this agreement, the Bank is obligated to provide the executive, or his designated beneficiaries, with annual benefits for fifteen years after retirement or death. These benefits are substantially equivalent to those available under insurance policies purchased by the Bank on the life of the executive. The estimated present value of these future benefits are accrued over the period from the effective date of the agreement until the executives expected retirement date.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The expense recognized under the 2014 salary continuation agreement totaled \$171,100 and \$216,000 for the years ended December 31, 2016 and 2015, respectively and are included in salaries and employee benefits expense in the income statement.

In connection with these agreements, the Bank holds single premium life insurance policies with a cash surrender value totaling \$6,470,161 and \$6,248,652 at December 31, 2016 and 2015, respectively. A total of \$3,100,476 was acquired through the merger with VCB in 2015. Income from these policies totaled \$213,781 and \$165,848, respectively, for the years ended December 31, 2016 and 2015, and is included in other non-interest income in the income statement.

13. EQUITY INCENTIVE PLANS

2014 Omnibus Equity Incentive Plan

In 2014, the shareholders approved the Omnibus Equity Incentive Plan (Plan) at the 2014 Annual Meeting. The Plan provides for the awarding by the Bank's Board of Directors of equity incentive awards to employees and non-employee directors. An equity incentive award may be an option, stock appreciation rights, restricted stock units, stock award, other stock-based award or performance award granted under the Plan. Factors considered by the Board in awarding equity incentives to officers and employees include the performance of the Bank, the employee's or officer's job performance, the importance of his or her position, and his or her contribution to the organization's goals for the award period. Generally, awards are restricted and have a vesting period of not longer than ten years. Subject to adjustment as provided in the Plan, the maximum number of shares of Common Stock that may be delivered pursuant to awards granted under the Plan is 300,000.

As of December 31, 2016 and 2015, pursuant to the Plan, 120,462 and 109,668 shares, respectively, of restricted common stock were granted to officers and directors. The shares have vesting periods between three and five years. A total of 27,066 and 24,791 shares have vested during 2016 and 2015 respectively. The following table provides the restricted stock grant activity for 2016 and 2015:

	2016		2015	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at beginning of the year	84,877	\$ 11.09	95,796	\$ 10.96
Granted	12,794	13.25	13,872	11.75
Vested	(27,066)	11.04	(24,791)	10.96
Forfeited/expired	(2,000)	10.96	-	-
Unvested shares at end of the year	68,605	\$ 11.51	84,877	\$ 11.09

As of December 31, 2016, unvested shares totaling 68,605 vest over a weighted average period of two and a half years. For the year ended December 31, 2016 and 2015, the total fair value of vested restricted stock was \$332,900 and \$292,200, respectively.

As of December 31, 2016 and 2015, compensation related expenses totaling \$334,565 and \$304,320, respectively, were recorded and unrecognized compensation expenses related to non-vested stock was \$512,100 and \$795,400, respectively. The total tax benefit related to restricted stock grants was \$137,700 and \$125,000 during 2016 and 2015, respectively.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

2004 Stock Option Plan

The 2004 Stock Option Plan (Stock Option Plan) expired in 2014. No stock options were granted in 2016 or 2015. As of December 31, 2016, no options remain outstanding compared and a total of 52,988 options outstanding as of December 31, 2015 were either exercised or expired in 2016. In 2016, options to acquire 38,331 shares of common stock were exercised.

The following table provides the stock option activity for the year ending December 31, 2016 and 2015:

	2016		2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance at beginning of the year	52,988	\$ 9.77	64,488	\$ 9.40
Granted	-	-	-	-
Exercised	(38,331)	9.68	(10,000)	7.05
Terminated	-	-	-	-
Expired	(14,657)	10.00	(1,500)	11.83
Balance at end of the year	-	\$ -	52,988	\$ 9.77

The following table provides the weighted-average fair and intrinsic values, and the weighted average remaining contractual life for stock option activity as of and for the years ending December 31, 2016 and 2015:

	2016	2015
Weighted-average fair value of options granted during the year	\$ -	\$ -
Intrinsic value of options exercised	\$ 177,100	\$ 48,000
Options exercisable at year end:	-	52,988
Weighted-average exercise price	\$ -	\$ 9.77
Intrinsic value	\$ -	\$ 184,461
Weighted-average remaining contractual life	\$ -	.8 years
Options outstanding at year end:	-	52,988
Weighted-average exercise price	\$ -	\$ 9.77
Intrinsic value	\$ -	\$ 184,461
Weighted-average remaining contractual life	\$ -	.8 years

As of December 31, 2016, there is no unrecognized compensation cost related to stock options. No tax benefits related to non-qualified stock options were recorded during 2016 and 2015.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. REGULATORY MATTERS

Dividends

The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of the Bank's retained earnings or the Bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2016, \$18.5 million is free from such restrictions.

Regulatory Capital

The Bank is subject to certain regulatory capital requirements administered by federal and state banking agencies. Failure to meet these minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Each of these components is defined in the regulations. As of December 31, 2016 and 2015, management believes that the Bank meets all its capital adequacy requirements. The Bank received notification from the FDIC categorizing the Bank as Well Capitalized under the framework of prompt corrective action regulations.

To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common Equity Tier 1 and Tier 1 leverage ratios as set forth below.

<i>(Dollars in Thousands)</i>	2016		2015	
	Dollars	Ratio	Dollars	Ratio
<u>Leverage Ratio</u>				
Bay Commercial Bank	\$ 72,937	10.6%	\$ 66,628	10.6%
Minimum requirement for "Well-Capitalized"	34,327	5.0%	31,466	5.0%
Minimum regulatory requirement	27,461	4.0%	25,173	4.0%
<u>Common Equity Tier 1 Ratio</u>				
Bay Commercial Bank	\$ 72,937	13.4%	\$ 66,628	13.3%
Minimum requirement for "Well-Capitalized"	35,298	6.5%	32,560	6.5%
Minimum regulatory requirement	24,437	4.5%	22,541	4.5%
<u>Tier 1 Risk-Based Capital Ratio</u>				
Bay Commercial Bank	\$ 72,937	13.4%	\$ 66,628	13.3%
Minimum requirement for "Well-Capitalized"	43,444	8.0%	40,074	8.0%
Minimum regulatory requirement	32,583	6.0%	30,055	6.0%
<u>Total Risk-Based Capital Ratio</u>				
Bay Commercial Bank	\$ 76,992	14.2%	\$ 70,758	14.1%
Minimum requirement for "Well-Capitalized"	54,305	10.0%	50,092	10.0%
Minimum regulatory requirement	43,444	8.0%	40,074	8.0%

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

On July 2, 2013, the federal banking regulators approved the final proposed rules that revise the regulatory capital ratios to incorporate certain revisions by the Basel Committee on Banking Supervision to the Basel capital framework ("BASEL III"). The phase-in period for the final rules began on January 1, 2015, with full compliance with the final rules entire requirement phase in by January 1, 2019. The final rules, among other things, include a new common equity Tier 1 capital ("CET1") to risk-weighted assets ratio, including a capital conservation buffer, which increases from 4.5% this year to 7.0% on January 1, 2019. The final rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from currently 6.0% to 8.5% on January 1, 2019, as well as require minimum leverage ratio of 4.0%. The increase in the capital conservation buffer for 2016 is 0.625%. The net unrealized gain or loss on available-for-sale securities is not included in the computation of regulatory capital.

15. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank may enter into transactions with related parties, including Directors, shareholders, officers and their associates. These transactions include borrowings from the Bank with substantially the same terms, including rates and collateral, as loans to unrelated parties and do not involve more than normal risk of collection.

The following is a summary of the aggregate loan activity involving related party borrowers for the years ending December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, beginning	\$ 9,377,635	\$ 7,415,140
Disbursements	1,069,433	2,405,601
Amounts repaid	(585,643)	(443,107)
Balance, ending	<u>\$ 9,861,424</u>	<u>\$ 9,377,635</u>
Undisbursed commitments to related parties	<u>\$ 500,000</u>	<u>\$ 2,150,000</u>
Letters of credit issued for related parties	<u>\$ -</u>	<u>\$ 501,614</u>

At December 31, 2016 and 2015, the Bank's deposits included deposits from related parties which total approximately \$16.8 million and \$15.9 million, respectively.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. OTHER EXPENSES

For the years ended December 31, 2016 and 2015, respectively, other expenses consist of the following:

	2016	2015
Professional fees	\$ 700,434	\$ 782,213
Insurance including FDIC Premiums	349,072	364,020
Stationery and supplies	288,702	378,769
Marketing and promotions	269,576	297,974
Communication and postage	219,298	243,429
Director fees	180,800	174,600
Write-down and net loss on OREO	179,000	249,566
Courier expense	81,948	74,627
Bank service charges	80,812	88,127
Loan default related expenses	(174,026)	101,482
Other	246,774	496,429
Total other expenses	\$ 2,422,389	\$ 3,251,236

The Bank expenses marketing and promotions costs as they are incurred. Advertising expense, included in marketing and promotions, total \$59,000 and \$99,000 for the years ended December 31, 2016 and 2015, respectively.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present information about the Bank's assets and liabilities measured at fair value as of December 31, 2016 and 2015, and the fair value techniques used to determine such fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, Level 2, and Level 3).

Level 1 - Inputs are unadjusted quoted prices in active markets (as defined) for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the lowest level of inputs that is significant to the measurement is used for to determine the hierarch for the entire asset or liability. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with our quarterly valuation process. There were no transfers between levels during 2016 or 2015.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following assets are measured at fair value on a recurring basis:

Description of Financial Instruments:	As of December 31, 2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal securities	\$ 4,081,199	\$ -	\$ 4,081,199	\$ -
Mortgage-backed securities	1,683,550	-	1,683,550	-
Collateralized mortgage obligations	1,769,817	-	1,769,817	-
U.S. Government Agencies	5,376,463	-	5,376,463	-
U.S. Treasury	1,006,249	-	1,006,249	-
Total at fair value	<u>\$ 13,917,278</u>	<u>\$ -</u>	<u>\$13,917,278</u>	<u>\$ -</u>

Description of Financial Instruments:	As of December 31, 2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal securities	\$ 5,159,750	\$ -	\$ 5,159,750	\$ -
Mortgage-backed securities	2,228,527	-	2,228,527	-
Collateralized mortgage obligations	2,824,465	-	2,824,465	-
U.S. Government Agencies	12,372,394	-	12,372,394	-
U.S. Treasury	1,029,378	-	1,029,378	-
Total at fair value	<u>\$ 23,614,514</u>	<u>\$ -</u>	<u>\$23,614,514</u>	<u>\$ -</u>

There were no assets measured at fair value on a non-recurring basis as of December 31, 2015.

The following table presents the recorded amount of assets measured at fair value on a non-recurring basis as of December 31, 2016:

2016	<u>Fair Value</u>	Fair Value Measure		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Other real estate owned	<u>\$ 775,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,000</u>
Total impaired assets measured at fair value	<u>\$ 775,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,000</u>

The Bank does not record loans at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. When the fair value of the collateral is based on an observable market price or a current appraised value which uses substantially observable data, the Bank records the impaired loan as non-recurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value or the appraised value contains a significant assumption, and there is no observable market price, the Bank records the impaired loan as non-recurring Level 3.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Bank records OREO at fair value on a non-recurring basis based on the collateral value of the property. When the fair value of the collateral is based on an observable market price or a current appraised value which uses substantially observable data, the Bank records the OREO as non-recurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value or the appraised value contains a significant assumption, and there is no observable market price, the Bank records the impaired loan as non-recurring Level 3. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Management also incorporates assumptions regarding market trends or other relevant factors and selling and commission costs ranging from 5% to 7%. Such adjustments and assumptions are typically significant and result in a Level 3 classification of the inputs for determining fair value.

The following methods and assumptions were used to estimate the fair value disclosure for financial instruments:

Cash and cash equivalents - Cash and cash equivalents include cash and due from banks, interest bearing deposits in banks, and Fed funds sold, and are valued at their carrying amounts because of the short-term nature of these instruments.

Interest bearing deposits in banks - Interest bearing deposits in banks are valued based on quoted interest rates for comparable instruments with similar remaining maturities.

Investment Securities - The fair value of available of sale securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar securities and indications of value provides by brokers.

Other equity securities - The carrying value of the FHLB and FRB stock approximates the fair value because the stock is redeemable at par.

Loans - Loans with variable interest rates are valued at the current carrying value, because these loans are regularly adjusted to market rates. The fair value of fixed rate with remaining maturities in excess of one year is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. The allowance for loan losses is considered to be a reasonable estimate of the loan discount related to credit risk.

Accrued interest receivable and payable - The accrued interest receivable and payable balance approximates its fair value.

Deposits - The fair value of non-interest bearing deposits, interest bearing transaction accounts and savings accounts is the amount payable on demand at the reporting date. The fair value of time deposits is estimated by discounting the future cash flows using current rates offered for deposits of similar remaining maturities.

Other borrowings - The fair value is estimated by discounting the future cash flows using current rates offered for similar borrowings. The discount rate is equal to the market rate of currently offered similar products.

Undisbursed loan commitments and standby letters of credit - The fair value of the off-balance sheet items are based on discounted cash flows of expected fundings.

BAY COMMERCIAL BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The carrying amounts and fair values of the Bank's financial instruments at December 31, 2016 and 2015 are presented below.

<u>2016</u>	Carrying <u>Amount</u>	Fair <u>value</u>	Fair value measurements		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets:					
Cash and cash equivalents	\$ 128,684,416	\$ 128,684,416	\$ 128,684,416	\$ -	\$ -
Interest bearing deposits in banks	1,529,000	1,529,000	1,529,000	-	-
Investment securities	13,917,278	13,917,278	-	13,917,278	-
Other equity securities	3,922,200	3,922,200	-	3,922,200	-
Loans, net	504,264,026	504,623,767	-	-	504,623,767
Accrued interest receivable	1,481,071	1,481,071	-	1,481,071	-
Financial Liabilities:					
Accrued interest payable	87,381	87,381	-	87,381	-
Deposits	590,758,760	591,067,463	429,901,660	161,165,803	-
Off-balance sheet liabilities:					
Undisbursed loan commitments	-	280,000	-	-	280,000
<u>2015</u>	Carrying <u>Amount</u>	Fair <u>value</u>	Fair value measurements		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets:					
Cash and cash equivalents	\$ 108,171,768	\$ 108,171,768	\$ 108,171,768	\$ -	\$ -
Interest bearing deposits in banks	3,219,000	3,219,000	3,219,000	-	-
Investment securities	23,614,514	23,614,514	-	23,614,514	-
Other equity securities	3,845,900	3,845,900	-	3,845,900	-
Loans, net	460,207,614	460,780,462	-	-	460,780,462
Accrued interest receivable	1,502,290	1,502,290	-	1,502,290	-
Financial Liabilities:					
Accrued interest payable	69,012	69,012	-	69,012	-
Deposits	543,303,834	543,907,580	416,534,719	127,372,861	-
Off-balance sheet liabilities:					
Undisbursed loan commitments	-	280,000	-	-	280,000