BAY COMMERCIAL BANK
500 Ygnacio Valley Road, Suite 200
Walnut Creek, California 94596

September 20, 2016

Dear Fellow Shareholders:

You are cordially invited to attend the 2016 Annual Meeting of Shareholders (the "Annual Meeting") of Bay Commercial Bank (the "Bank"), to be held on September 20, 2016, at 5:30 p.m. local time, in the board room of the Bank at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California, 94596. Enclosed are the Notice of Annual Meeting, a Proxy Statement describing the business to be transacted at the Annual Meeting, and a proxy card for use in voting your shares. A copy of the Bank's Annual Report for the year ended December 31, 2015 (the "2015 Annual Report") accompanies the Proxy Statement.

As described in the Notice of Annual Meeting and the accompanying Proxy Statement, at the Annual Meeting, shareholders will be asked to vote on three matters:

(i) the election of eight persons nominated by the Board of Directors of the Bank, to serve as directors of the Bank; and
(ii) the ratification of the Board of Directors' selection of Vavrinek, Trine, Day & Co., LLP, independent public accountants, to serve as the independent accounting firm for the Bank for the fiscal year ending December 31, 2016.
(iii) the approval of the 2017 Repurchase Program pursuant to which the Bank proposes to repurchase shares of its Common Stock outstanding.

Your vote is important. We hope that you will be able to attend the Annual Meeting. In addition to voting on the three matters to be voted on at the Annual Meeting, we will also discuss the operations of the Bank and answer any questions you may have. Regardless of whether you plan to attend the Annual Meeting, please complete, date, sign, and promptly return the enclosed proxy card in the envelope provided to ensure that we will have a quorum to conduct business. If your shares are held through a bank or broker, check your proxy card to see if you can vote by telephone or via the internet.

Sincerely yours,

Lloyd Kendall, Jr.
Chairman of the Board

George J. Guarini
Chief Executive Officer

BAY COMMERCIAL BANK
500 Ygnacio Valley Road, Suite 200
Walnut Creek, California 94596

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on September 20, 2016

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Shareholders (the "Annual Meeting") of Bay Commercial Bank (the "Bank") will be held at 5:30 p.m., local time, on September 20, 2016, in the board room of the Bank at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California, 94596, to consider and act upon the following proposals:

1. to elect the following eight nominees to serve as directors of the Bank until the 2016 Annual Meeting of Shareholders and until their successors are elected and have been qualified:

Bhupen B. Amin	Lloyd W. Kendall, Jr.
James S. Camp	Robert R. Laverne, M.D.
Harpreet C. Chaudhary	Pramod R. Patel
George J. Guarini	David M. Spatz

2. to ratify the Board of Directors' selection of Vavrinek, Trine, Day & Co., LLP independent public accountants, as the independent accounting firm for the Bank for the fiscal year ending December 31, 2016.

3. to approve the 2017 Repurchase Program pursuant to which the Bank proposes to repurchase shares of its Common Stock outstanding.

Only shareholders of record as of the close of business on July 22, 2016 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of the Bank unanimously recommends that you vote "**FOR"** the election of the eight director nominees named in the enclosed Proxy Statement, and "**FOR"** the ratification of the appointment of Vavrinek, Trine, Day & Co., LLP, as the independent accounting firm for the Bank for the fiscal year ending December 31, 2016, and "**FOR**" the 2017 Repurchase Program pursuant to which the Bank proposes to repurchase shares of its Common Stock outstanding.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. Whether or not you expect to attend the Annual Meeting in person, we urge you to complete, sign and date the enclosed proxy as promptly as possible and return it in the enclosed envelope to ensure that we will have a quorum to conduct business. If your shares are held through a bank or broker, check your proxy card to see if you can vote by telephone or via the internet. Voting by any of these permitted methods will not prevent you from attending the meeting and voting in person.

By Order of the Board of Directors

Keary L. Colwell
Executive Vice President and Secretary

Walnut Creek, California
August 19, 2016

BAY COMMERCIAL BANK
500 Ygnacio Valley Road, Suite 200
Walnut Creek, California 94596
(925) 476-1800

PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished in connection with the solicitation of proxies by, and on behalf of, the Board of Directors of Bay Commercial Bank, a California corporation, ("we", "us", "our" and the "Bank") for use at the Annual Meeting of Shareholders (the "Annual Meeting") of the Bank to be held on September 20, 2016, at 5:30 p.m. local time, in the board room of the Bank, 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California, 94596 and at all postponements or adjournments thereof.

Purpose of the Annual Meeting

At the Annual Meeting, holders of the Bank's common stock, no par value (the "Common Stock"), will be asked to act on the following proposals:

> Proposal One: To elect all eight of the persons nominated by the Board of Directors of the Bank to serve as directors of the Bank until the 2017 Annual Meeting of Shareholders and until their successors are elected and have been qualified.
>
> Proposal Two: To ratify the Board of Directors' selection of Vavrinek, Trine, Day & Co., LLP, independent public accountants, as the independent accounting firm for the Bank for the fiscal year ending December 31, 2016.
>
> Proposal Three: To approve the 2017 Repurchase Program pursuant to which the Bank proposes to repurchase shares of its Common Stock outstanding.

In their discretion, the holders of proxies will have discretion to vote on any other matters that may properly come before the Annual Meeting. At this time, the Board of Directors is not aware of any other matters that will come before the Annual Meeting for action by the shareholders.

Voting Securities

Only shareholders of record as of the close of business on July 22, 2016 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, the Bank had outstanding 5,439,095 shares of its Common Stock.

Each holder of record of Common Stock is entitled to one vote, whether voted in person or by proxy, for each share of the Common Stock held as of the Record Date, except that shareholders may have cumulative voting rights with respect to the election of directors.

Cumulative voting for directors allows a shareholder to cast for any candidate a number of votes greater than the number of votes that the shareholder normally is entitled to cast. A shareholder may cumulate votes either (i) by giving one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are normally entitled or (ii) by distributing the shareholder's votes on the same principle among as many candidates as the shareholder sees fit. No shareholder can cumulate votes unless, prior to the Annual Meeting, the shareholder has given notice of the intent to cumulate. If any shareholder has given notice to cumulate, then all shareholders may cumulate their votes for candidates in nomination. The eight candidates receiving the highest number of votes shall be elected. The Board of Directors does not, at this time, intend to give such notice or to cumulate the votes it may hold pursuant to the proxies solicited herein unless the required notice by a shareholder is given. Therefore, discretionary authority to cumulate votes in such event is solicited in this Proxy Statement.

Revocability of Proxies

Any person giving a proxy has the power to revoke or suspend it before its exercise. A proxy is revocable before the Annual Meeting by sending written notice or a duly executed proxy bearing a later date to Keary L. Colwell, Chief Financial Officer and Secretary of the Bank, at the principal executive offices of the Bank. In addition, a shareholder giving a proxy may revoke it by attending the Annual Meeting and voting in person. If your shares are held in “street name” through a bank, broker or other nominee, you must follow the instructions on the form you receive from your bank, broker or other nominee with respect to revoking your proxy.

Votes Required

The following paragraphs explain the vote required for each proposal. In each case, a quorum must be present for the vote to be valid. Under the Bank’s bylaws, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum.

PROPOSAL ONE: ELECTION OF DIRECTORS. The validly-nominated nominees for election as directors who rank first, second, third, fourth, fifth, sixth, seventh and eighth in number of votes received, will be elected as directors, even if some or all of such nominees receive less than a majority of the total votes.

PROPOSAL TWO: RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTING FIRM FOR 2016. Approval of this proposal requires an affirmative vote of the holders of a majority of the shares of the Common Stock represented and voting.

PROPOSAL THREE: APPROVAL OF THE 2017 STOCK REPURCHASE PROGRAM. Approval of this proposal requires the affirmative vote of two-thirds (2/3) of the shares outstanding of the Bank’s Common Stock.

Such other matters, if any, as may properly come before the Annual Meeting will generally require the affirmative vote of the holders of a majority of the shares of the Common Stock represented.

With regard to the election of directors, votes may be cast in favor or withheld; votes that are withheld will be excluded from the vote and will have no effect. Abstentions may be specified on all proposals other than the election of directors and will be counted as shares that are present or represented at the Annual Meeting for purposes of determining a quorum on the proposal on which the abstention is specified. However, because ratification of the selection of the independent accounting firm requires the affirmative vote of the holders of a majority of the shares of the Common Stock represented and voting, and because the approval of the 2017 Stock Repurchase Program requires the affirmative vote of two-thirds (2/3) of the shares outstanding, abstentions will have the effect of a negative vote with respect to each of these proposals.

Under applicable California law, broker non-votes are counted for the purpose of determining the presence or absence of a quorum for the transaction of business but are not otherwise counted. Therefore, broker non-votes will have no effect on the outcome of the election of directors or the ratification of the selection of the independent accounting firm.

Unless otherwise instructed, each valid proxy returned which is not revoked will be voted "**FOR**" the election as directors of the nominees named in this Proxy Statement, and "**FOR**" the ratification of the selection of the independent accounting firm, "**FOR**" the approval of the 2017 Stock Repurchase Program, and at the proxy holders' discretion, on such other matters, if any, that may come before the Annual Meeting (including any proposal to adjourn the Annual Meeting). At this time, the Board of Directors is not aware of any other matters to come before the Annual Meeting.

Solicitation of Proxies

The Bank will bear the entire cost of preparing, assembling, printing and mailing proxy materials furnished by the Board of Directors to shareholders. Copies of proxy materials also will be furnished to brokerage houses, fiduciaries and custodians to be forwarded to the beneficial owners of the Common Stock. In addition to the solicitation of proxies by use of the mail, some of the officers, directors and regular employees of the Bank and the Bank may (without additional compensation) solicit proxies by telephone or personal contact, the costs of which the Bank will bear.

Annual Report

A copy of the Bank's 2015 Annual Audited Financial Report for the fiscal year ended December 31, 2015 (the "2015 Annual Report") is attached. Additional copies of the 2015 Annual Report are available without cost upon request by writing to Keary L. Colwell, Chief Financial Officer, Bay Commercial Bank, 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596.

Market Makers

The Bank's Common Stock is traded on the OTCQB Venture Marketplace Bulletin Board under the symbol BCML. A list of the brokerage firms making a market in the Bank's Common Stock are listed on the Bank's website at *www.baycommercialbank.com.*

Forward Looking Statements

This document includes forward-looking statements within the meaning of the "Safe-Harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Bank cautions that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by any forward-looking statements contained herein. Such factors include risks and uncertainties arising from, among other things, changes in interest rates, inflation, government regulation, general economic and market conditions, conditions in the real estate markets in which we operate and other factors beyond our control. Do not unduly rely on forward-looking statements because they only reflect our expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made and we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by law.

Security Ownership of Certain Beneficial Owners and Management

The Bank is aware of the following beneficial owners holding 5% or more of the Common Stock as of December 31, 2015.

Name of Beneficial Owner	Number of Shares of Common Stock	Percentage Owned
Starboard Fund for New Bancs	346,334	6.3%
Commerce Street Capital	357,874	6.5%
Ithan Creek Master Investments	354,622	6.5%
Total	1,058,830	19.3%

The following table shows the beneficial ownership of directors, executive officers and directors and executive officers as a group as of December 31, 2015:

Name of Beneficial Owner	Number of Shares of Common Stock	Restricted Stock Grants (2)	Percentage Owned(3)
George J. Guarini, Director, President, and Chief Executive Officer	21,598	37,546	1.1%
Bhupen B. Amin, Director	39,599	3,520	0.8%
James S. Camp, Director	104,937	3,520	2.0%
Harpreet C. Chaudhary, Director	11,760	3,520	0.3%
Lloyd W. Kendall, Jr., Chairman	54,642	6,160	1.1%
Robert G. Laverne, Director	94,197	3,520	1.8%
Pramod R. Patel, Director	39,599	3,520	0.8%
David M. Spatz, Director	57,060	3,520	1.1%
Keary L. Colwell Chief Administrative Officer, Chief Financial Officer, Secretary, and Executive Vice President	3,676	9,706	0.2%
Janet L. King Chief Operating Officer and Executive Vice President	4,676	9,706	0.3%
Charles Yun (1) Chief Lending Officer Executive Vice President	-	-	0.0%
David J. Funkhouser Chief Credit Officer and Executive Vice President	-	-	0.0%
Directors and Executive Officers as a Group (Thirteen persons)	431,744	84,238	9.3%

(1) Mr, Yun joined the Bank in March 2016.

(2) Represents unvested Restricted Stock granted under the 2014 Omnibus Equity Incentive Plan.

(3) Includes the restricted stock.

Board of Directors

The bylaws of the Bank provide that the number of directors of the Bank, within a specified range, is subject to adjustment by resolution of the Board of Directors. The Board of Directors has adopted a resolution setting the number of directors at eight. Each director holds office until the Bank's next Annual Meeting of Shareholders and until his respective successor is duly elected and qualified, or until his death, resignation or removal.

No director, nominee for director or executive officer of the Bank or the Bank has any family relationship with any other director or executive officer of the Bank or director or executive officer of the Bank.

The Board of Directors has nominated each of the current directors of the Bank for re-election at the Annual Meeting. See "Proposal One: Election of Directors." Accordingly, no vacancy on the Board of Directors will exist after the election of directors pursuant to Proposal One.

Committees of the Board of Directors

The Bank's Board of Directors held eleven (11) regularly scheduled meetings and one (1) special meeting in 2015. During 2015, each of the directors attended at least 75% of all board meetings and committee meetings.

The Executive Committee of the Board of Directors presently includes Directors Kendall, Guarini, Spatz and Camp. The Executive Committee is responsible for considering the qualifications of individuals to serve as directors and recommending a slate of directors for election at the Annual Meeting. The Executive Committee also generally has the power to act for the full Board of Directors between board meetings, subject to the limitations provided by California law and the bylaws of the Bank. This Executive Committee met once in 2015.

The Bank's Human Resources/Compensation Committee which presently includes Directors Kendall, Spatz, Camp and Chaudhary has responsibility for all personnel and compensation policy matters pertaining to Bank employees, officers and directors. It also monitors the Bank's compliance with laws and regulations applicable uniquely to the protection of employees and officers. This Committee met five (5) times in 2015.

The Bank's Audit Committee presently includes Directors Kendall, Patel, Chaudhary and Laverne. This Committee provides assistance to the Board of Directors in fulfilling its responsibilities with respect to the oversight of the integrity of the Bank's financial statements and systems of internal controls, the independent auditors' qualifications, independence and performance and the performance of the Bank's internal audit function. This Committee also is responsible for monitoring compliance with regulations, and monitoring the Bank's relationship with its primary regulators, the Board of Governors of the Federal Reserve System and the California Department of Business Oversight. This Committee met eleven (11) times in the 2015.

The Bank's Loan Committee presently includes Directors Amin, Chaudhary, Kendall, Spatz and Guarini and includes one alternate member. The Committee examines and approves loans above a specified size and regularly monitors the oversight and reviews of the entire loan portfolio. This Committee is responsible for lending, credit policies and monitors compliance with such policies. This Committee met fifty-four (54) times in 2015.

The Bank's Asset Liability Committee presently includes Directors Amin, Kendall, Laverne, Spatz, and Camp. This Committee is responsible for oversight of the implementation of the Bank's asset liability management and investment policies. The Committee also monitors liquidity, interest rate risk and investment and securities activities. This Committee met eleven (11) times in 2015.

Board of Directors' Compensation

The Bank pays each director other than Mr. Guarini (referred to collectively below as the "outside directors") directors fees of $1,500 per month for attendance at Board meetings and Committee meetings. Attendees of the Loan Committee receive directors fees of $200 per meeting attended. The Chairman receives an additional director fee of $1,000 per month. Annual director fees paid in 2015 to all directors in the aggregate totaled $174,600. In 2014, each director was granted 5,280 restricted stock grants under the 2014 Omnibus Equity Incentive Plan, or a total of 42,240 of restricted stock were granted to directors. The restricted stock vests annually over a three year period. The grants were made effective August 19, 2014.

Executive Officers

Each executive officer is selected annually by the Board of Directors pursuant to provisions of the bylaws of the Bank. The following are all of the current executive officers of the Bank, their occupations for the previous five years, ages and their lengths of service as an officer of the Bank.

GEORGE J. GUARINI . . . . …………………………………………….

(See the description of Mr. Guarini's position with the Bank, and his background under the heading "Board of Directors" below).

DAVID FUNKHOUSER . . . . ……………………………………………..

Mr. Funkhouser joined the Bank in June 2015 to serve as Executive Vice President and Chief Credit Officer of the Bank. Prior to joining the Bank he served as President, Chief Executive Officer and Director at Trans Pacific National Bank from 2010 to 2014. He has also served as a bank consultant and acting chief credit officer for various financial institutions in California. At December 31, 2015, Mr. Funkhouser was 60 years of age.

KEARY L. COLWELL . . . . ………………………………………....

Ms. Colwell has served as Executive Vice President, Chief Financial Officer, and Secretary of the Bank since its inception in March 2004. She was appointed Chief Administrative Officer in 2015. Prior to joining the Bank she served as Executive Vice President, Chief Financial Officer and Secretary of Bank of San Francisco. At December 31, 2015, Ms. Colwell was 56 years of age.

JANET L. KING. . . . . ………………………………………………...

Ms. King has served as Executive Vice President and Chief Operating Officer of the Bank since its inception in March 2004. Prior to joining the Bank, she served as Chief Branch Administrative Officer of Circle Bank. At December 31, 2015, Ms. King was 53 years of age.

CHARLES YUN. . . . . ………………………………………………...

Mr. Yun has served as Executive Vice President and Chief Lending Officer of the Bank since March 15, 2016. Prior to joining the Bank, he served as Senior Vice President at Umpqua Bank in charge of commercial banking in San Jose, California. At December 31, 2015, Mr. Yun was 47 years of age.

Executive Compensation

The Bank's compensation philosophy is to pay for performance as an important way to encourage the actions necessary to achieve the Bank's strategic objectives of increasing profitability and maximizing shareholder value.

The Bank's compensation philosophy is implemented through its compensation program, which is structured to:

- promote the Bank's annual operating objectives,
- promote the Bank's long-term strategic plans,
- ensure continuity of management,
- recognize the level of management expertise,
- be competitive within the industry and community, and
- provide internal equity.

The Bank's compensation program includes base salary, annual bonus, the Equity Incentive Plan, a severance plan, and other benefits. The Bank has entered into employment agreements with each of Mr. Guarani, Ms. Colwell, and Ms. King. Mr. Vernon Padgett served as the Bank's Chief Banking Officer until March 2016 under an employment agreement. See "Employment Agreements."

Mr. Funkhouser joined the Bank in June 2015 as Chief Credit Officer and Mr. Yun joined the Bank in March 2016 as Chief Lending Officer.

Base Salary. Generally, the Bank targets base salary at median to high competitive levels. The competitive levels are based on comparable positions in other banks. In addition, the Bank takes other factors into consideration including an individual's specialized expertise, level of experience, broad range of expertise allowing the executive to assume multiple responsibilities, historical performance and salary requirements, leadership in the Bank and the community and contract terms.

For 2015, Mr. Guarini, Ms. Colwell, Ms. King, Mr. Funkhouser earned annual salaries of $370,000, $235,000, $235,000, and $107,917, annualized, respectively. For 2016, the base annual salaries payable to Mr. Guarini, Ms. Colwell, Ms. King, Mr. Funkhouser and Mr. Yun are $384,800, $244,400, $244,400, $200,000, and $200,000 respectively.

Annual Bonus. The purpose of the annual bonus is to provide incentive for achieving defined target performance levels based on the Bank's annual business and profit plan. The annual goals typically include objectives regarding earnings, loan and deposit growth, asset quality, operating efficiency and regulatory examinations. Annual bonus awards are determined based on the Bank's performance.

For 2015, Mr. Guarini, Ms. Colwell, Ms. King, and Mr. Funkhouser, earned annual incentive bonuses of $348,719, $158,203, $158,203, and $65,385, respectively.

Salary Continuation Plan. In 2014, the Bank entered into a Salary Continuation Agreement with Mr. Guarini that provides for salary continuation for a period of fifteen (15) years upon retirement at age 65. The maximum annual contribution under the Salary Continuation plan is 52.5% of base compensation, and is determined based on performance as measured under the Annual Bonus described above. In 2015, the salary continuation expense totaled $194,250. In addition $16,150 was contributed as interest expense.

Omnibus Equity Incentive Plan. The purpose of the Equity Incentive Plan is to serve as a long-term incentive program by directly tying rewards to the long-term success of the Bank and increases in shareholder value. The restricted stock grants to the executive officers were granted as an inducement to attract and retain executives with the required talent and experience to manage the Bank. All restricted stock grants are approved by the full Board of Directors. See "Other Employee Benefit Plans-Omnibus Equity Incentive Plan" below.

Information regarding the number of other stock options held by our executive officers is provided under "Other Employee Benefit Plans-Omnibus Equity Incentive Plan."

Severance Benefits. The purpose of severance benefits is to promote continuity of management. Pursuant to an executive's employment agreement, certain executives may be eligible for severance benefits if the executive is terminated without cause, including following a change in control of the Bank. See "Employment Agreements" below.

Other Benefits. The executive officers are entitled to participate in all employee benefit plans including the Bank's vacation, 401(k) and welfare and other benefit plans. Each executive officer is entitled by contract to four weeks of annual vacation. The welfare and benefits plans include workers' compensation benefits, medical and dental, life insurance and long-term disability insurance. Pursuant to his or her employment agreement, each executive is entitled to a term life insurance benefit, payable to his or her designated beneficiary, in an amount equal to the executive's then-current base annual salary.

Decisions on the compensation of the Bank's executive officers are generally made by the Bank's Human Resources/Compensation Committee, the members of which are outside directors of the Bank. All decisions by this Committee relating to the compensation of the Bank's executive officers are reviewed by the Bank's full Board of Directors.

Employment Agreements

Employment Agreement with Mr. Guarini. The Bank has entered into a three-year employment agreement with Mr. Guarini dated June 1, 2016. The agreement provides for, among other things, an annual base salary of at least $384,800, incentive bonuses, a monthly automobile allowance of $800 and group insurance benefits, as well as a group life insurance benefit payable to Mr. Guarini's designated beneficiary in an amount equal to Mr. Guarini's then-current annual base salary and participation in any retirement, profit-sharing, salary deferral, medical expense reimbursement and other similar plans the Bank may establish for its employees. In 2015, Mr. Guarini's base salary was $370,000. The agreement generally provides for indemnification of Mr. Guarini to the maximum extent permitted by law and applicable regulations for any expenses incurred by him, and for any judgments, awards, fines or penalties imposed against him, in any proceeding relating to his actions (or the Bank's actions) while an agent of the Bank. The agreement also provides for the advancement of expenses to Mr. Guarini and coverage under a director and officer liability insurance policy.

The agreement provides that if the Bank terminates the agreement without cause, the Bank must, for the remainder of the contract term (but in no event for less than 24 months), continue to pay Mr. Guarini one-twelfth of his then-current base annual salary plus one-twelfth of the amount of the incentive payment made to him during the preceding year. The Bank must also, for the remainder of the contract term (but not more than 24 months), continue to provide him with health insurance benefits on the same terms as when he was employed by the Bank. In addition, if, within one year of a change in control, Mr. Guarini's employment is terminated without cause or if Mr. Guarini terminates his employment for "good reason," then he will be entitled to a severance payment equal to two times his then-current base annual salary plus two times any incentive payment made to him in the preceding year. The term "good reason" means any of the following: (1) a material permanent reduction in Mr. Guarini's total compensation or benefits; (2) material permanent reduction in Mr. Guarini's title or responsibilities; or (3) a relocation of Mr. Guarini's principal office so that his commute distance is increased by more than 40 miles from Walnut Creek, California.

Employment Agreements with Ms. Colwell and Ms. King. The Bank has entered into employment agreements with Ms. Colwell and Ms. King, dated June 1, 2016, respectively. Each of the agreements has a term of three years. Each agreement provides for, among other things, a minimum annual base salary ($244,400 in the case of Ms. Colwell and $244,400 in the case of Ms. King), incentive bonuses, a monthly automobile allowance ($500 in the case of Ms. Colwell and $800 in the case of Ms. King) and group insurance benefits, as well as a group life insurance benefit payable to the executive's designated beneficiary in an amount equal to the executive's then-current annual base salary and participation in any retirement, profit-sharing, salary deferral, medical expense reimbursement and other similar plans the Bank may establish for its employees. Each agreement generally provides for indemnification of the executive to the maximum extent permitted by law and applicable regulations for any expenses incurred by him or her, and for any judgments, awards, fines or penalties imposed against him or her, in any proceeding relating to his or her actions (or the Bank's actions) while an agent of the Bank. The agreement also provides for the advancement of expenses to the executive and coverage under a director and officer liability insurance policy.

Each agreement provides that if the Bank terminates the agreement without cause, the Bank must, for 12 months thereafter, continue to pay the executive one-twelfth of his or her then-current base annual salary plus one-twelfth of the amount of the incentive payment made to him or her during the preceding year. The Bank must also, for the remainder of the contract term (but not more than 12 months), continue to provide the executive with health insurance benefits on the same terms as when he or she was employed by the Bank. In addition, if, within one year of a change in control, the executive's employment is terminated without cause or if the executive terminates his or her employment for "good reason," then he or she will be entitled to a severance payment equal to one times his or her then-current base annual salary plus one times any incentive payment made to him or her in the preceding year. The term "good reason" means any of the following: (1) a material permanent reduction in the executive's total compensation or benefits; (2) material permanent reduction in the executive's title or responsibilities; or (3) a relocation of the executive's principal office so that his or her commute distance is increased by more than 40 miles from Walnut Creek, California.

Other Employee Benefit Plans

401(k) Profit Sharing Plan. In 2005, the Bank established a 401(k) Profit Sharing Plan (the "401(k) Plan") which permits each participating employee with a minimum service requirement to contribute to the Plan through payroll deductions (the "salary deferral contributions") of up to the maximum amount allowable by law, thereby deferring taxes on all or a portion of these amounts. Under the 401(k) Plan, the Bank presently does not match a participant's tax deferred contributions.

The Bank may make matching and employer contributions to the 401(k) Plan in such amounts as may be determined by the Bank's Board of Directors. Any such contribution vests 100% after a participant has completed three years of service, provided that any such contribution which has not yet vested will vest upon the participant's attainment of age 65 or upon the participant's death or permanent disability. The Bank may also make additional special contributions to the 401(k) plans, which vest immediately. Participants are entitled to receive their salary deferral contributions and vested benefits under the 401(k) Plan upon termination of employment, retirement, death or disability. Participants have the right to self-direct all of their salary deferral contributions among all funds sold by Charles Schwab and Company.

Omnibus Equity Incentive Plan. In 2014, The Bank's Board of Directors adopted, and the Bank's shareholders approved, the Bank's Equity Incentive Plan. The Equity Incentive Plan provides for the granting by the Bank's Board of Directors of incentive restricted stock grants to employees and non-employee directors. Factors considered by the Board in granting 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, equity grants are restricted stock awards that vest over three to five years. Equity incentive restricted stock grants totaled 95,796 shares and 13,872 shares in 2014 and 2015, respectively. At December 31, 2015, total restricted stock grants were 109,668 of which 24,791have vested. In 2016, an additional 13,872 restricted stock awards were granted in January 2016 with a vesting period of five years.

2004 Stock Option Plan. In 2004, the Bank’s Board of Directors adopted, and the Bank’s shareholders approved, the Bank’s 2004 Stock Option Plan (the “Stock Option Plan”). No options were granted in 2015. Total options exercised in 2015 were 10,000. The Stock Option Plan terminated in 2014 with 52,988 options remaining outstanding under the Stock Option Plan as of December 31, 2015. These options expire by the end of 2016. No other options are held by executive officers or directors as of December 31, 2015.

Certain Relationships and Related Transactions

The Bank has had and expects to continue to have banking transactions with many of its directors and executive officers (and their associates). Loans by the Bank to any director or executive officer of the Bank or any of its subsidiaries (or any associate of such persons) have been made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and were judged not to involve more than the normal risk of collection or present other unfavorable features. Loans by the Bank to any director, executive officer or principal shareholder of the Bank or any of its subsidiaries (as such persons are defined by regulation) are subject to limitations under California and federal law. Among other things, a loan by the Bank to a director, executive officer or principal shareholder of the Bank or any of its subsidiaries must be on non-preferential terms and, if all loans to a given person exceed $25,000, such loans must be approved in advance by the Bank's Board of Directors. The Bank had six such loans totaling $9.4 million outstanding and $2.7 million in undisbursed loan commitments as of December 31, 2015, all of which were performing in accordance with their terms as of that date.

PROPOSAL ONE: ELECTION OF DIRECTORS

Eight directors are to be elected at the Annual Meeting, each to hold office until the Bank's 2016 Annual Meeting of Shareholders and until his respective successor is duly elected and qualified, or until his death, resignation or removal. The Board of Directors’ nominees for election are Messrs. Amin, Camp, Chaudhary, Guarini, Laverne, Kendall, Patel and Spatz. Each is presently serving as a director of the Bank. In the event that any of the nominees for election as director become unavailable, which the Bank does not expect, it is intended that, pursuant to the accompanying proxy, votes will be cast for such substitute nominee or nominees as may be designated by the Board of Directors, unless the Board of Directors reduces the number of directors.

The following sets forth, as to each nominee for election as a director of the Bank, such person's age, principal occupation during at least the last five years, and the period during which each person has served as a director of the Bank.

GEORGE J. GUARINI . . . . ………………………………………...

Mr. Guarini has been President and Chief Executive Officer of Bay Commercial Bank since its inception in March 2004. Prior to joining the Bank, Mr. Guarini held several senior lending positions at financial institutions in California. At December 31, 2015, Mr. Guarini was 62 years of age and he has served as a director of the Bank since 2004.

BHUPEN B. AMIN . . . . ……………………………………………. .

Mr. Amin has been the General Counsel and Chief Operating Officer of Lotus Hotels for more than five years. At December 31, 2015, Mr. Amin was 45 years of age. He has served as a director of the Bank since the merger with Global Trust Bank in October 2011.

JAMES S. CAMP . . . . …………………..

Mr. Camp has been the President of the S. A. Camp Companies for more than five years. At December 31, 2015, Mr. Camp was 64 years of age. He has served as a director of the Bank since 2004.

HARPREET C. CHAUDHARY . . . . …………………..

Mr. Chaudhary has been a Certified Public Accountant, and a Certified Financial Planner and president of Area Financial Services, Inc., an accounting firm, for more than five years. At December 31, 2015, Mr. Chaudhary was 54 years of age. He has served as a director of the Bank since the merger with Global Trust Bank in October 2011.

LLOYD W. KENDALL, JR. . . . . ……………………………………….. .

Mr. Kendall is a lawyer specializing in tax and real estate. He was the owner and President of Lawyers Asset Management, Inc., a company that served as a qualified intermediary in 1031 tax free exchanges. His company merged with Commercial Capital Bank in 2006. He is currently a principal in Versant Commercial Real Estate, a real estate brokerage specializing in restructuring commercial real estate investments involving multiple owners. At December 31, 2015, Mr. Kendall was 69 years of age. He has served as a director of the Bank since 2004.

ROBERT R. LAVERNE . . . . ………………………………………...

Dr. Laverne has been an anesthesiologist at John Muir Medical Center in Walnut Creek, California for more than five years. At December 31, 2015, Dr. Laverne was 67 years of age. He has served as a director of the Bank since 2004.

PRAMOD R. PATEL . . . . ………………………………………….

Mr. Patel has been President of Raps Hospitality Group for more than five years. At December 31, 2015, Mr. Patel was 48 years of age. He has served as a director of the Bank since the merger with Global Trust Bank in October 2011.

DAVID M. SPATZ . . . . ……………………………………………..

Mr. Spatz is a real estate investor, and owns and manages several real estate properties. In addition, he has been the President of Anyi Lu International, Inc., a manufacturer of designer shoes, since 2005. At December 31, 2015, Mr. Spatz was 68 years of age. He has served as a director of the Bank since 2004.

The Board of Directors recommends a vote FOR the election of each of the nominees named above.

PROPOSAL TWO: RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTING FIRM FOR 2016

The firm of Vavrinek, Trine, Day & Co., LLP, independent public accountants, was appointed in 2016 to audit the financial statements of the Bank for 2016.

The selection of an independent accounting firm to provide audit services for the Bank has been approved annually by the Bank's Board of Directors. Shareholders are being asked to act upon a proposal to ratify the Board of Directors' selection of Vavrinek, Trine, Day & Co., LLP for 2016.

Vavrinek, Trine, Day & Co., LLP has advised the Bank that one or more of its representatives will be present at the Annual Meeting to make a statement if they so desire and to respond to appropriate questions.

The Board of Directors recommends a vote FOR this proposal.

PROPOSAL THREE: APPROVAL OF 2017 REPURCHASE PROGRAM

The Board of Directors has voted, subject to shareholder and regulatory approval, to cause the Bank to enter into an agreement with a broker to effect repurchases of the shares of the Bank's Common Stock on terms specified by the Board of Directors and as conditions warrant. If and when approved by the shareholders and the Bank's regulators, such repurchases are expected to commence in 2017 with a duration of two years ("2017 Repurchase Program") unless the Board of Directors votes to extend the 2017 Repurchase Program, as it deems appropriate.

Pursuant to the 2017 Repurchase Program, the Bank will be authorized to purchase up to ten (10) percent of the 5,439,095 shares of the Bank's Common Stock outstanding as of July 22, 2016 (or 543,900) shares of Common Stock at open market prices.

The Board of Directors has determined that in light of its current and projected capital position and its projected capital needs for operations in accordance with its business plan, the proposed repurchase is a prudent use of the Bank's capital. Considering its projected capital position, the Board of Directors believes this is an opportune time for the Bank to repurchase shares and to continue its strong capital position. The Board of Directors expect the repurchase of its Common Shares to support growth in the price of the Bank's stock as it reduces the number of shares outstanding, increases earnings per share and its Return on Equity. Currently, the Bank far exceeds the standards to be rated "Well Capitalized" under applicable state and federal law and regulations and the Bank expects to continue to be rated "Well Capitalized" during and upon completion of the 2017 Repurchase Program.

Prior to commencement of the 2017 Repurchase Program, the approvals of the California Department of Business Oversight, Division of Financial Institutions and of the Board of Governors of the Federal Reserve System must be obtained and the Bank will apply to both agencies for such approval.

The 2017 Repurchase Program does not obligate the Bank to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. Share repurchases, if any, will be made in the open market at such times and in such amounts as the Bank deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements.

Because the Board of Directors believes the 2017 Repurchase Program to be in the best interest of the Bank's shareholders, the Board would anticipate calling for an adjournment of the Annual Meeting to a later date for the purpose of considering the 2017 Repurchase Program, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve the principal terms of the 2017 Repurchase Program.

The Board of Directors recommends a vote FOR this proposal.

OTHER PROPOSED ACTION

The Board of Directors is not aware of other business which will come before the Annual Meeting, but if any such matters are properly presented, proxies solicited hereby will be voted on such matters in the proxy holder's discretion.

BAY COMMERCIAL BANK

Keary L. Colwell
Chief Financial Officer and Secretary

Walnut Creek, California
August 20, 2016

BAY COMMERCIAL BANK

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

AND

INDEPENDENT AUDITOR'S REPORT

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Bay Commercial Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Commercial Bank, which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years 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 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 audits 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, 2015 and 2014, 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.

Moss Adams LLP

Sacramento, California
March 11, 2016

BAY COMMERCIAL BANK
STATEMENT OF FINANCIAL CONDITION

December 31, 2015 and 2014

ASSETS		2015	2014
Cash and due from banks		$ 5,170,877	$ 9,029,815
Federal funds sold		103,000,891	126,166,605
Cash and cash equivalents		108,171,768	135,196,420
Interest bearing deposits in banks		3,219,000	10,084,760
Investment securities available-for-sale		23,614,514	17,540,010
Federal Home Loan Bank stock, at par		2,359,800	1,646,000
Federal Reserve Bank stock, at par		1,486,100	1,212,950
Loans	$ 464,399,699		
Deferred fees, net	(342,085)		
Allowance for loan losses	(3,850,000)		
Loans, net		460,207,614	322,907,555
Premises and equipment, net		1,390,561	1,265,064
Other real estate owned		-	2,102,844
Core deposit intangible		1,200,500	811,889
Cash surrender value of bank owned life insurance policies, net		6,248,652	2,974,602
Interest receivable and other assets		15,405,124	8,648,910
Total Assets		$ 623,303,633	$ 504,391,004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing deposits		$ 152,012,575	$ 124,228,498
Interest bearing deposits		391,291,259	313,712,843
Total deposits		543,303,834	437,941,341
Other borrowings		-	6,000,000
Salary continuation plan		3,193,264	165,000
Interest payable and other liabilities		4,426,270	2,110,595
Total liabilities		550,923,368	446,216,936
Commitments and contingencies (Note 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 2015 and 2014; 5,493,209 and 4,875,787 shares issued and outstanding in 2015 and 2014, respectively		46,279,899	39,580,462
Additional paid in capital		286,738	286,738
Accumulated other comprehensive income, net of tax		121,628	67,312
Retained earnings		25,692,000	18,239,556
Total shareholders' equity		72,380,265	58,174,068
Total Liabilities and Shareholders’ Equity		$ 623,303,633	$ 504,391,004

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENT OF INCOME

For the years ended December 31, 2015 and 2014

	2015	2014
Interest income:		
Loans, including fees	$ 24,414,762	$ 18,778,447
Federal funds sold	11,091	11,330
Investment securities and interest bearing deposits in banks	985,011	665,197
FHLB dividend	229,556	97,654
FRB dividend	74,652	84,486
Total interest income	25,715,072	19,637,114
Interest expense:		
Deposits	3,134,862	2,510,706
Other borrowings	5,248	68,903
Total interest expense	3,140,110	2,579,609
Net interest income	22,574,962	17,057,505
Provision for loan losses	1,412,000	1,073,785
Net interest income after provision for loan losses	21,162,962	15,983,720
Non-interest income:		
Other income and fees	1,491,960	753,130
Bargain purchase gain	5,410,000	2,785,000
Gain on sale of securities	-	94,394
Gain on sale of Trust business	-	72,801
Total non-interest income	6,901,960	3,705,325
Non-interest expense:		
Salaries and related benefits	11,281,382	7,564,116
Occupancy and equipment	2,117,424	1,415,864
Data processing	2,251,206	1,167,381
Other	3,251,236	2,645,955
Total non-interest expense	18,901,248	12,793,316
Income before provision for income taxes	9,163,674	6,895,729
Provision for income taxes	1,711,230	1,717,300
Net income	$ 7,452,444	$ 5,178,429
Earnings per common share:		
Basic: Earnings per common share	$ 1.37	$ 1.09
Weighted average shares outstanding	5,437,790	4,740,152
Diluted: Earnings per common share	$ 1.36	$ 1.08
Weighted average shares outstanding	5,493,398	4,780,345

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

	2015	2014
Net income	$ 7,452,444	$ 5,178,429
Other comprehensive income:		
Unrealized holding gain on available-for-sale of investment securities, net of tax of $86,282 in 2015 and $39,174 in 2014	54,316	122,532
Reclassification adjustment for gains realized in income, net of tax of $39,174 in 2014	-	(55,220)
Other comprehensive income	54,316	67,312
Total comprehensive income	$ 7,506,760	$ 5,245,741

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2015 and 2014

	Number of Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
ance, December 31, 2013	4,727,457	$ 38,974,441	$ 286,738	$ 13,061,127	$ -	$ 52,322,306
Net income				5,178,429		5,178,429
Other comprehensive income, net					67,312	67,312
Restricted Stock granted	95,796					-
Stock based compensation		113,215				113,215
Exercise of stock options	20,000	200,000				200,000
Exercise of warrants	32,534	292,806				292,806
ance, 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
ance, December 31, 2015	5,493,209	$ 46,279,899	$ 286,738	$ 25,692,000	$ 121,628	$ 72,380,265

The accompanying notes are an integral part of the financial statements.

BAY COMMERCIAL BANK
STATEMENT OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 7,452,444	$ 5,178,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Bargain purchase gain	(5,410,000)	(2,785,000)
Gain on sale of securities	-	(94,394)
Change in cash surrender value of the life insurance policies	(165,848)	25,398
Provision for loan losses	1,412,000	1,073,785
Write down and net loss on sale of OREO	249,566	490,000
Amortization/accretion of premium/discount on investment securities	234,825	225,436
Depreciation and amortization	487,345	411,464
Core deposit intangible amortization	449,389	270,156
Stock based compensation	304,320	113,215
Deferred loan origination expenses, net	50,350	(6,331)
(Increase) decrease in accrued interest receivable and other assets	(261,465)	1,149,010
Increase in salary continuation liability	28,264	165,000
Increase in accrued interest payable and other liabilities	1,342,387	288,634
Net cash provided by operating activities	6,173,577	6,504,802
Cash flows from investing activities:		
Maturity of interest bearing deposits in banks	6,865,760	1,755,670
Proceeds from the sale of investment securities	-	9,800,877
Proceeds from the maturity and repayment of securities	18,430,469	1,601,096
Purchase of Federal Home Loan Bank stock	-	(39,800)
Net increase in loans	(69,144,777)	(14,459,283)
(Purchase) redemption of Federal Reserve Bank Stock	(273,150)	31,150
Purchase of Bank Owned Life Insurance	(7,726)	(3,000,000)
Proceeds from sale of OREO	1,853,278	-
Purchase of premises and equipment	(509,711)	(237,928)
Net cash received from acquisition	19,676,542	16,527,381
Net cash (used) provided by investing activities	(23,109,315)	11,979,163
Cash flows from financing activities:		
Net increase in demand, interest bearing and savings deposits	13,595,748	54,647,575
Decrease in time deposits	(16,104,160)	(10,327,291)
Repurchase of common stock	(2,796,855)	-
Exercise of warrants	1,145,552	292,806
Exercise of stock options	70,800	200,000
Increase in other borrowings	-	29,000,000
Decrease in other borrowings	(6,000,000)	(28,750,000)
Net cash (used) provided by financing activities	(10,088,915)	45,063,090
(Decrease) increase in cash and cash equivalents	(27,024,652)	63,547,055
Cash and cash equivalents at the beginning of the year	135,196,420	71,649,365
Cash and cash equivalents at end of the year	$ 108,171,768	$135,196,420

BAY COMMERCIAL BANK
STATEMENT OF CASH FLOWS - CONTINUED

For the years ended December 31, 2015 and 2014

Supplemental disclosure of cash flow information:	2015	2014
Cash paid during the year for:		
Interest expense	$ 3,137,274	$ 2,312,819
Income tax	1,978,908	765,000
Non-cash investing activities:		
Net change in unrealized gain on investment securities available for sale	54,316	67,312
Transfers of loans to other real estate owned	-	552,844
Acquisitions:		
Assets acquired, net of cash received	105,553,272	97,469,000
Liabilities assumed	111,844,193	111,211,381
Common stock issued	7,975,620	-
Bargain purchase gain	5,410,000	2,785,000
Net cash received	$ 19,676,542	$ 16,527,381

The accompanying notes are an integral part of the 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 2015 and 2014 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).

On April 25, 2014, the Bank acquired all of the assets and assumed all of the liabilities of Bank On It. Inc. and its wholly owned subsidiary, Community Bank of San Joaquin (CBSJ) under a Merger and Plan of Reorganization (Merger Agreement).

In both acquisitions, 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.

The Bank is required to expense acquisition related costs separately from the acquisition. It also requires that any restructuring costs be expensed separately from the business combination.

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, 2015 and 2014, 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.

Generally, banks are required to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. For the years ended December 31, 2015 and 2014, $5,440,000 and $4,591,000 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, 2015 and 2014, the Bank held interest bearing deposits totaling $3,219,000 and $10,084,760 with a yield of 1.60% and 1.95% 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 of 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 not 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, 2015 and 2014, Federal Home Loan Bank of San Francisco (FHLB) stock totaling $2,359,800 and $1,646,000, 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, 2015 and 2014, Federal Reserve Bank (FRB) stock totaling $1,486,100 and $1,212,950, 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.

In 2015 and in 2014, 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 $774,355 and $698,553 are deferred as loan origination costs for the years ended December 31, 2015 and 2014, 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. 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, 2015 and 2014, 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.

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, subsequent to foreclosure. 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, 2015 and 2014, the Bank determined that no events or changes occurred during 2015 and 2014 that would indicate that the carrying value of any long-lived assets may not be recoverable.

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 2015 or 2014.

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 $85.9 million and $29.4 million as of December 31, 2015 and 2014, respectively. Total servicing liabilities, included in other liabilities on the statement of financial condition, were $327,600 and $227,800 as of December 31, 2015 and 2014, respectively. Servicing assets totaled $725,000 and zero as of December 31, 2015 and 2014, 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.

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, 2015 and 2014, the Bank recognized zero and $269 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, 2015 or 2014.

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 2014 and 2015 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, 2015, a total of 8,001 stock options, 8,207 unvested restricted stock grants and 13,012 warrants were included in the calculation of diluted common shares. For the period ended December 31, 2014, a total of 7,926 stock options, 1,249 unvested restricted stock grants and 31,018 warrants were included in the calculation of diluted common shares. There were no anti-dilutive shares in 2015 or 2014.

For the periods ended December 31, 2015 and 2014, total weighted average common shares outstanding are as follows:

	2015	2014
Common Stock	5,437,790	4,740,152
Diluted effect of warrants	19,475	31,018
Diluted effect of restricted stock grants	25,839	1,249
Diluted effect of stock options	10,294	7,926
Total weight average diluted shares	5,493,398	4,780,345

Common Stock and Warrants

In 2015 and in 2014, warrants to purchase 127,283 and 32,534 shares of common stock, respectively, with an exercise price of $9.00 per share were exercised. As of December 31, 2015, the Bank repurchased 209,600 shares of common stock respectively. No shares were repurchased in 2014. As of December 31, 2015 and 2014, total warrants outstanding were zero and 127,283, respectively.

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 FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates Topic 606 and supersedes Topic 605, Revenue Recognition. 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, and expands and improves disclosures. The standard is effective for public entities for interim and annual periods beginning after December 15, 2016; early adoption is not permitted. For financial reporting purposes, the standard allows for either full retrospective adoption, or modified retrospective adoption. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606). This ASU defers the effective date of ASU No. 2014-09 by one year. Application of the guidance is to be effective for interim and annual periods beginning after December 15, 2017. The Bank is currently evaluating the impact of these new accounting standards on the financial statements.

In January 2016, the FAS issued ASU 2016-01, Recognition of Financial Assets and Liabilities. The main objective of this update is to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendment is effective for years beginning after December 15, 2017. The Bank is currently evaluating the impact of the new pronouncement.

In February 2016, the FASB issued ASU 2016-02, Leases. From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for a lessee. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor does not convey risks and rewards or control, the lease is treated as an operating lease. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. A modified retrospective transition approach is required for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Bank is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through March 11, 2015, the date the financial statements were issued.

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 April 25, 2014, the Bank merged with Community Bank of San Joaquin with two branch offices located in Stockton, California. The transaction was recorded as a business combination. The Bank acquired total assets of \$123.7 million including \$59.0 million in loans, and assumed \$111.2 million in liabilities including \$107.2 million in deposit liabilities. The Bank assumed the lease obligation related to each branch facility. The Merger Agreement provided that Community Bank of San Joaquin merged with and into Bank On It, Inc. and, immediately thereafter, Community Bank of San Joaquin merged with and into the Bank. The Bank acquired all of the shares of common stock issued and outstanding for \$2.57 per share.

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.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the acquisition date:

		Acquisition Date February 13, 2015
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.

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 February 13, 2015
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	5,115,000
Total purchase accounting adjustments	(1,559,000)
Fair value of assets acquired	17,731,655
Common stock issued	7,975,620
Cash paid	4,346,035
Total price paid	12,321,655
Bargain purchase gain (included in non-interest income)	$ 5,410,000

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 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	$ 8,356,202	$ 61,261,430	$ 69,617,632

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.

<u>Pro Forma Results of Operations</u>

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	$ 10,449,300	$ 6,587,000
2015 supplemental proforma from January 1, 2015 to December 31, 2015	10,992,200	6,582,900
2014 supplemental proforma from January 1, 2014 to December 31, 2014	6,504,600	(509,000)

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:

	December 31, 2015
Acquisition related expenses	
Professional fees	$ 197,000
Data processing	820,000
Severence expense	540,000
Other	143,000
Total	$ 1,700,000

3. INVESTMENTS

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2015 and 2014 consist of the following:

2015

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
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)	12,372,396
U.S. Treasury	1,031,264	-	(1,886)	1,029,378
Total investment securities	$ 23,406,605	$ 243,063	$ (35,153)	$ 23,614,515

2014

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Municipal securities	$ 6,314,088	$ 79,180	$ (9,925)	$ 6,383,343
Corporate bonds	2,219,707	565	(2,698)	2,217,574
Mortgage-backed securities	2,889,835	12,154	(1,808)	2,900,181
Collateralized mortgage obligations	4,254,874	59	(16,925)	4,238,008
U.S. Government Agencies	739,551	27	-	739,578
U.S. Treasury	1,054,643	6,683	-	1,061,326
Total investment securities	$ 17,472,698	$ 98,668	$ (31,356)	$ 17,540,010

No investment securities were sold in 2015. In 2014, the Bank received gross proceeds of $9,800,877 and recognized a gain on sale of $94,394. None of the investments were sold at a loss.

The unrealized losses at December 31, 2015 and 2014 are summarized and classified according to the duration of the loss period as follows:

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)

2014

	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	$ 3,444,158	$ (9,925)	$ -	$ -	$ 3,444,158	$ (9,925)
Corporate bonds	1,889,172	(2,698)	-	-	1,889,172	(2,698)
Mortgage-backed securities	459,615	(1,808)	-	-	459,615	(1,808)
Collateralized mortgage obligations	4,193,102	(16,925)	-	-	4,193,102	(16,925)
Total	$ 9,986,047	$ (31,356)	$ -	$ -	$ 9,986,047	$ (31,356)

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, 2015 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, 2015, the Bank held 99 investment securities, of which six of were in a loss position for more than twelve months in 2015 and 37 were in an unrealized loss position for less than twelve months in 2015. 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.

The amortized cost and estimated fair value of debt securities at December 31, 2015 and 2014, 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.

	2015		2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,540,442	$ 1,536,287	$ 3,237,114	$ 3,232,918
Due after one year through five years	14,634,938	14,661,859	4,920,617	4,920,769
Due after five year through ten years	6,215,252	6,406,101	4,424,813	4,490,113
Due after ten years	1,015,973	1,010,268	4,890,154	4,896,210
Total	$ 23,406,605	$ 23,614,515	$17,472,698	$ 17,540,010

At December 31, 2015 and 2014, available for sale securities with a carrying amount of approximately $3,011,000 and $3,028,000, 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, 2015 and 2014 is summarized below:

	2015	2014
Commercial	$ 71,380,309	$ 72,296,572
Construction and land	19,217,128	12,851,984
Commercial real estate	343,232,340	216,555,980
Residential real estate	29,603,136	23,694,363
Consumer	966,786	300,391
Total loans	$ 464,399,699	$ 325,699,290
Deferred loan fees and costs, net	(342,085)	(291,735)
Allowance for loan losses	(3,850,000)	(2,500,000)
Net loans	$ 460,207,614	$ 322,907,555

For the years ended December 31, 2015 and 2014, the Bank had $333,676 and $855,000, respectively, of impaired loans on nonaccrual. For the period ended December 31, 2015 and 2014, if interest had been accrued such income would have been approximately $22,000 and $83,000, respectively.

As of December 31, 2015 and 2014, 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
2015					
With no related allowance recorded					
Commercial	$ 333,676	$ 333,676	$ -	$ 339,910	$ -
Construction and land	-	-	-	-	-
Commercial real estate	2,020,641	2,020,641	-	2,039,191	129,360
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded					
Commercial	$ -	$ -	$ -	$ -	$ -
Construction and land	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 2,354,317	$ 2,354,317	$ -	$ 2,379,101	$ 129,360
2014					
With no related allowance recorded					
Commercial	$ 346,145	$ 346,145	$ -	$ 595,900	$ 26,780
Construction and land	-	-	-	-	-
Commercial real estate	2,057,621	2,057,621	-	2,074,981	131,621
Residential	240,547	240,547	-	265,900	18,687
Consumer	-	-	-	-	-
With an allowance recorded					
Commercial	$ 268,597	$ 268,597	$ 26,000	$ 328,649	$ 20,195
Construction and land	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 2,912,910	$ 2,912,910	$ 26,000	$ 3,265,430	$ 197,283

As of December 31, 2015 and 2014, the Bank had no loans 90 days delinquent and still accruing interest and no troubled debt restructured loans that were not performing under the post–modification terms. During 2015 and 2015, the Bank did not recognize any interest income under the cash basis.

In 2015, there were no restructured loans and none were outstanding at December 31, 2015. In 2014, one loan totaling $240,547 was restructured to extend the maturity date to allow for the orderly liquidation of the underlying collateral. This loan was on non-accrual. In 2015, the Bank recorded a $71,636 charge-off related to restructured loans and none in 2014. As of December 31, 2014, restructured loans had no related allowance.

As of December 31, 2015 and 2014, the Bank has fixed rate loans totaling $234.7 million and $132.8 million, respectively, and variable rate loans total $229.7 million and $192.9 million, respectively. As of December 31, 2015, variable rate loans with interest rate caps of 12% or lower total $43.6 million none of which have reached their caps, and a total of $158.9 million have interest rate floors, all of which are at their floors. More than 91% of the variable interest rate loans are tied to the Prime rate as reported by the Wall Street Journal and can adjust monthly based on changes in the Prime rate. At December 31, 2015 and 2014, a total of $20.1 million and $16.0 million, respectively, of variable rate loans are tied to the treasury constant maturity rate (CMT) as published by the Federal Reserve and adjust every five years. At December 31, 2015 and 2014, $3.7 million and $3.0 million, respectively, of variable rate loans are tied other indexes and adjust 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, 2015, the Bank's loans outstanding comprised 73.9% term mortgage-type loans secured primarily by commercial real estate, 0.9% for the purpose of constructing commercial and residential property, 3.2% for the purpose of holding or acquiring unimproved land, 6.4% term mortgage-type loans secured by residential property, and 15.4% for general commercial uses including professional, retail, and small business. Less than 0.5% of the Bank's loans are consumer loans.

As of December 31, 2015, the Bank's unsecured loans outstanding totaled 3.1% 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, 2015 and 2014, the single largest loan totaled $10.3 million and $6.5 million, respectively, and is secured by commercial real estate. As of December 31, 2015 and 2014, undisbursed commitments total $92.4 million and $55.3 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. 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 two loans in the combined amount of $333,676 classified as doubtful as of December 31, 2015 and 2014. 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, 2015 and 2014:

2015	Pass	Special Mention	Substandard	Doubtful	Total
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	$ 452,850,313	$ 1,929,915	$ 9,285,795	$ 333,676	$ 464,399,699

2014	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 71,269,890	$ -	$ 1,026,682	$ -	$ 72,296,572
Construction and land	12,851,984	-	-	-	12,851,984
Commercial real estate	214,498,359	-	2,057,621	-	216,555,980
Residential real estate	23,453,816	-	240,547	-	23,694,363
Consumer	300,391	-	-	-	300,391
Total	$ 322,374,440	$ -	$ 3,324,850	$ -	$ 325,699,290

The following table provides an aging of the Bank's loans receivable as of December 31, 2015 and 2014.

	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
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	$ 499	$ -	$ 333,676	$ 334,174	$ 454,207,126	$ 9,853,959	$ 464,399,699	$ -
2014								
Commercial	$ 398,597	$ -	$ 95,937	$ 494,534	$ 71,802,038	$ -	$ 72,296,572	-
Construction and land	-	-	-	-	12,851,984	-	12,851,984	-
Commercial real estate	-	-	-	-	214,444,187	2,111,793	216,555,980	-
Residential	-	-	-	-	23,694,363	-	23,694,363	-
Consumer	-	-	-	-	300,391	-	300,391	-
Total	$ 398,597	$ -	$ 95,937	$ 494,534	$ 323,092,963	$ 2,111,793	$ 325,699,290	$ -

The following table reflects contractual cash flows, non-accretable difference, accretable yield, and carrying amount for PCI loans as of December 31, 2015 and 2014.

	2015 Credit-impaired Loans	2014 Credit-impaired Loans
Contractually required payments, including interest	$ 16,076,681	$ 3,195,518
Less: non-accretable difference	(3,478,590)	(1,062,654)
Cash flows expected to be collected (undiscounted)	12,598,091	2,132,864
Accretable Yield	(2,744,132)	(21,071)
Carrying Amount	$ 9,853,959	$ 2,111,793

The following table is a summary of the change in accretable yield for PCI loans for the period ended December 31, 2015 and 2014.

	2015	2014
Balance at beginning of period	$ 21,071	$ -
Additions	3,888,134	79,567
Removals	(80,618)	(31,511)
Accretion	(1,084,455)	(26,985)
Balance at end of period	$ 2,744,132	$ 21,071

5. ALLOWANCE FOR LOAN LOSSES

The following table summarizes the Bank's allowance for loan losses for the year ended December 31, 2015 and 2014 by loan product and collateral type:

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	$ 1,418,000	$ 212,000	$ 1,735,000	$ 131,000	$ 3,000	$ 351,000	$ 3,850,000
Allowance for loan loss related to:							
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans collectively evaluted 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
Total	$ 71,380,309	$ 19,217,128	$ 343,232,340	$ 29,603,136	$ 966,786	$ -	$ 464,399,699

2014	Commercial	Construction and Land	Commercial Real Estate	Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 1,320,000	$ 105,000	$ 1,184,000	$ 25,000	$ 1,000	$ 140,000	$ 2,775,000
Charge-offs	(1,111,976)		(355,550)				(1,467,526)
Recoveries	118,741						118,741
Provision	1,001,235	177,000	(308,450)	252,000	2,000	(50,000)	1,073,785
Ending balance	$ 1,328,000	$ 282,000	$ 520,000	$ 277,000	$ 3,000	$ 90,000	$ 2,500,000
Allowance for loan loss related to:							
Loans individually evaluated for impairment	$ 26,000	$ -	$ -	$ -	$ -	$ -	$ 26,000
Loans collectively evaluted for impairment	1,302,000	282,000	520,000	277,000	3,000	90,000	2,474,000
PCI loans	-	-	-	-	-	-	-
Balance of loans:							
Individually evaluated for impairment	$ 614,742	$ -	$ 2,057,621	$ 240,547	$ -	$ -	$ 2,912,910
Collectively evaluated for impairment	71,681,830	12,851,984	212,386,566	23,453,816	300,391	-	320,674,587
PCI loans	-	-	2,111,793	-	-	-	2,111,793
Total	$ 72,296,572	$ 12,851,984	$ 216,555,980	$ 23,694,363	$ 300,391	$ -	$ 325,699,290

6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31, 2015 and 2014:

	2015	2014
Furniture, fixtures and equipment	$ 2,257,478	$ 1,768,845
Leasehold improvements	1,037,669	919,144
Less accumulated depreciation and amortization	(1,904,586)	(1,422,926)
Total premises and equipment, net	$ 1,390,561	$ 1,265,064

Depreciation and amortization included in occupancy and equipment expense total $487,345 for the year ended December 31, 2015 and $411,464 for the year ended December 31, 2014.

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,	
2016	$ 1,224,795
2017	942,230
2018	857,096
2019	740,523
2020	558,856
Thereafter	1,279,762
Total	$ 5,603,262

Rental expense included in occupancy and equipment expense totals $1,395,798 and $861,975 for the years ended December 31, 2015 and 2014, respectively.

7. OTHER REAL ESTATE OWNED

Other real estate owned as of December 31, 2015 and 2014 consisted of the following:

	2015	2014
Commercial real estate	$ -	$ 2,592,844
Valuation allowance	-	(490,000)
Total	$ -	$ 2,102,844

8. DEPOSITS

Deposits consisted of the following at December 31, 2015 and 2014:

	2015	2014
Demand deposits	$ 152,012,575	$ 124,228,498
NOW accounts and Savings	53,981,517	42,760,922
Money market	210,522,820	143,028,203
Time – less than $250,000	73,539,294	70,694,530
Time – $250,000 or more	53,247,628	57,229,188
Total deposits	$ 543,303,834	$ 437,941,341

At December 31, 2015 and 2014, the weighted average stated rate is 0.51% and 0.54%, respectively. At December 31, 2015, approximately $71.5 million, or 13.2%, of the Bank's deposits are derived from ten (10) depositors. At December 31, 2014, approximately $69.6 million, or 15.9%, of the Bank's deposits are derived from eight (8) 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 $27.7 million and $10.7 million at December 31, 2015 and 2014, respectively. Average deposit balances for these activities totaled $11.9 million and $9.8 million during 2015 and 2014, respectively.

At December 31, 2015, aggregate annual maturities of time deposits are as follows:

Year Ending December 31,	
2016	$ 86,498,284
2017	34,002,319
2018	4,292,693
2019	1,484,956
2020	508,670
	$ 126,786,922

Interest expense, net of early withdrawal penalty, recognized on interest-bearing deposits for the years ended December 31, 2015 and 2014 consists of the following:

	2015	2014
NOW accounts and savings	$ 90,686	$ 55,603
Money market	1,257,911	912,105
Time-less than $250,000	1,115,729	749,011
Time $250,000 or more	670,536	793,987
Total	$ 3,134,862	$ 2,510,706

9. OTHER BORROWINGS

Other borrowings for the period ending and as of December 31, 2015 and 2014 are as follows:

	2015	2014
Outstanding balance	$ -	$ 6,000,000
Interest rate	0.00%	0.41%
Average balance	$ 991,780	$ 4,614,836
Average interest rate	0.53%	1.49%
Maximum balance	$ 6,000,000	$ 30,750,000

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 in 2015 and $6.0 million outstanding under this facility at December 31, 2014, respectively.

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, 2015 and 2014.

10. INCOME TAXES

Income taxes expense for the years ended December 31, 2015 and 2014 are as follows:

	2015		2014	
	Federal	State	Federal	State
Current income taxes	$ 5,391,089	$ 1,296,707	$ 1,512,988	$ 504,692
Deferred income taxes, net	(4,111,859)	(864,707)	(248,188)	(52,192)
Total provision for income taxes	$ 1,279,230	$ 432,000	$ 1,264,800	$ 452,500

The provision for income tax differs from the amounts computed by applying the statutory Federal and State income tax rates. The significant items comprising these differences for the years ended December 31, 2015 and 2014 consist of the following:

	2015		2014	
	Amount	Rate %	Amount	Rate %
Federal statutory tax rate	$3,115,649	34.00%	$ 2,344,548	34.00%
State statutory tax rate, net of Federal effective tax rate	655,203	7.15%	493,045	7.15%
Tax exempt interest	(29,410)	-0.32%	(36,851)	-0.54%
Bank owned life insurance	(68,246)	-0.74%	(10,451)	-0.15%
Stock based compensation	-	0.00%	38,493	0.56%
Bargain purchase gain	(2,226,215)	-24.29%	(946,900)	-13.73%
Acquisition expenses	41,150	0.45%	48,857	0.70%
Other	223,099	2.43%	(213,441)	-3.10%
Total income tax expense	$1,711,230	18.67%	$ 1,717,300	24.90%

Deferred tax assets at December 31, 2015 and 2014, included as a component of other assets in the Statement of Financial Condition, consisted of the following:

Deferred tax assets, net of liabilities:	2015	2014
Net operating loss carryforward	$ 5,002,599	$3,738,335
Mark to market adjustments	3,267,413	1,246,780
Amortization of start up costs	236,138	265,966
Write down of OREO	-	88,317
Allowance for loan losses	1,584,444	1,347,129
Deferred loan fees net of costs	88,548	(35,462)
Stock based compensation	2,006	2,006
FHLB stock dividend	(117,356)	(68,401)
Unrealized gain on AFS securities	357,308	299,446
Salary continuation plan	1,301,638	70,778
Other	362,762	154,040
Total deferred tax assets	$ 12,085,500	$7,108,934

The utilization of the net operating losses is subject to an annual limit and begins expiring in 2029. As of December 31, 2015 and 2014, 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. At December 31, 2015, Federal net operating losses included in the deferred tax asset totaled $11.8 million and California net operating losses totaled $13.9 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.

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, 2015 and 2014, undisbursed commitments total $92,358,000 and $55,293,000, respectively. In addition, at December 31, 2015 and 2014, the Bank has issued standby letter of credit commitments, primarily issued for 3rd party performance obligations of Bank clients totaling $5,724,000 and $1,591,000, respectively, of which zero was outstanding at both December 31, 2015 and December 31, 2014.

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, 2015 and 2014, the reserve associated with these commitments is $280,000 and $260,000, respectively.

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, 2015 and 2014, the FHLB issued a letter of credit on behalf of the Bank totaling $10,000,000 and $9,000,000 respectively, 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, 2015 and 2014 the Bank made contributions to the plan of $210,300 and $67,000, 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.

The expense recognized under the 2014 salary continuation agreement totaled $216,000 and $165,000 for the years ended December 31, 2015 and 2014, 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 $6,248,652 and $2,974,602 at December 31, 2015 and 2014, respectively. A total of $3,100,476 was acquired through the merger with VCB. Income from these policies, net of expenses, resulted in net income totaling $165,848 and net expense totaling $25,398 for the years ended December 31, 2015 and 2014, respectively, 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, 2015 and 2014, pursuant to the Plan, 109,668 and 95,796 shares, respectively, of restricted common stock were granted to officers and directors. The shares have vesting periods between three and five years. As of December 31, 2015, a total of 24,791 shares have vested. None are vested as of December 31, 2014. The following table provides the restricted stock grant activity for 2015 and 2014:

	2015		2014	
	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	95,796	$ 10.96	-	$ -
Granted	13,872	11.75	95,796	10.96
Vested	(24,791)	10.96	-	-
Forfeited/expired	-	-	-	-
Unvested shares at end of the year	84,877	$ 11.09	95,796	$ 10.96

As of December 31, 2015, unvested shares totaling 84,877 vest over a weighted average period of three years. As of December 31, 2014, 53,556 vest over five years and 42,240 vest over three years. As of December 31, 2015, the grant-date fair value of vested restricted stock was $271,709. No restricted stock was vested as of December 31, 2014.

As of December 31, 2015 and 2014, compensation related expenses totaling $304,320 and $113,215, respectively, were recorded and unrecognized compensation expenses related to non-vested stock was $795,400 and $936,700, respectively. The total tax benefit related to restrict stock grants was $125,000 and $47,000 during 2015 and 2014, respectively.

2004 Stock Option Plan

The 2004 Stock Option Plan (Stock Option Plan) expired in 2014. The Stock Option Plan required that the option price may not be less than the fair market value of the stock at the date the option is granted, and that the stock must be paid for in full at the time the option is exercised. All options expire on a date determined by the Board of Directors, but not later than ten years from the date of grant. No additional stock options will be granted under the Stock Option Plan.

As of December 31, 2015, a total of 52,988 options remain outstanding pursuant to the Stock Option Plan under incentive and nonstatutory agreements. To date, options to acquire 39,794 shares of common stock have been exercised. No options were granted in 2015 or 2014.

The following table provides the stock option activity for the year ending December 31, 2015 and 2014:

	2015		2014	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance at beginning of the year	64,488	$ 9.40	401,688	$ 10.10
Granted	-	-	-	-
Exercised	(10,000)	7.05	(20,000)	10.00
Terminated	-	-	(148,000)	10.27
Expired	(1,500)	11.83	(169,200)	10.11
Balance at end of the year	52,988	$ 9.77	64,488	$ 9.40

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, 2015 and 2014:

	2015	2014
Weighted-average fair value of options granted during the year	$ -	$ -
Intrinsic value of options exercised	$ 48,000	35,000
Options exercisable at year end:	52,988	64,488
Weighted-average exercise price	$ 9.77	$ 9.40
Intrinsic value	$ 184,461	$ 161,527
Weighted-average remaining contractual life	.8 years	1.6 years
Options outstanding at year end:	52,988	64,488
Weighted-average exercise price	$ 9.77	$ 9.40
Intrinsic value	$ 184,461	$ 161,527
Weighted-average remaining contractual life	.8 years	1.6 years

As of December 31, 2015, 5,000 incentive stock options and 47,988 non-qualified stock options are outstanding. As of December 31, 2015, there is no unrecognized compensation cost related to stock options. In 2015 and 2014, options to acquire 10,000 and 20,000 shares, respectively of common stock were exercised. No tax benefits related to non-qualified stock options were recorded during 2015 and 2014.

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, 2015, $15.3 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, 2015 and 2014, 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.

(Dollars in Thousands)	2015		2014	
Leverage Ratio	Dollars	Ratio	Dollars	Ratio
Bay Commercial Bank	$ 66,628	10.6%	$ 54,175	10.7%
Minimum requirement for "Well-Capitalized"	31,466	5.0%	25,389	5.0%
Minimum regulatory requirement	25,173	4.0%	20,311	4.0%
Common Equity Tier 1 Ratio				
Bay Commercial Bank	$ 66,628	13.3%	N/A	N/A
Minimum requirement for "Well-Capitalized"	32,560	6.5%	N/A	N/A
Minimum regulatory requirement	22,541	4.5%	N/A	N/A
Tier 1 Risk-Based Capital Ratio				
Bay Commercial Bank	$ 66,628	13.3%	$ 54,175	15.8%
Minimum requirement for "Well-Capitalized"	40,074	8.0%	20,604	6.0%
Minimum regulatory requirement	30,055	6.0%	13,736	4.0%
Total Risk-Based Capital Ratio				
Bay Commercial Bank	$ 70,758	14.1%	$ 56,675	16.5%
Minimum requirement for "Well-Capitalized"	50,092	10.0%	34,341	10.0%
Minimum regulatory requirement	40,074	8.0%	27,472	8.0%

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 ("CETI") 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%.

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, 2015 and 2014:

	2015	2014
Balance, beginning	$ 7,415,140	$6,447,712
Disbursements	2,405,601	2,943,980
Amounts repaid	(443,107)	(1,976,552)
Balance, ending	$ 9,377,635	$7,415,140
Undisbursed commitments to related parties	$ 2,150,000	$2,200,000
Letters of credit issued for related parties	$ 501,614	$ -

At December 31, 2015 and 2014, the Bank's deposits included deposits from related parties which total approximately $15.9 million and $11.4 million, respectively.

16. OTHER EXPENSES

For the years ended December 31, 2015 and 2014, respectively, other expenses consist of the following:

	2015	2014
Professional fees	$ 782,213	$ 464,981
Stationery and supplies	378,769	223,471
Insurance including FDIC Premiums	364,020	419,725
Marketing and promotions	297,974	285,440
Write-down and net loss on OREO	249,566	490,000
Communication and postage	243,429	152,168
Director fees	174,600	138,000
Loan default related expenses	101,482	108,675
Bank service charges	88,127	90,661
Courier expense	74,627	50,656
Other	496,429	222,178
Total other expenses	$ 3,251,236	$ 2,645,955

The Bank expenses marketing and promotions costs as they are incurred. Advertising expense, included in marketing and promotions, total $99,000 and $121,900 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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 2015 or 2014.

The following assets are measured at fair value on a recurring basis:

	As of December 31, 2015			
	Total	Level 1	Level 2	Level 3
Description of Financial Instruments:				
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	12,372,396	-	12,372,396	-
U.S. Treasury	1,029,378	-	1,029,378	-
Total at fair value	$ 23,614,515	$ -	$23,614,515	$ -

	As of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Description of Financial Instruments:				
Municipal securities	$ 6,383,343	$ -	$ 6,383,343	$ -
Corporate bonds	2,217,574	-	2,217,574	-
Mortgage-backed securities	2,900,181	-	2,900,181	-
Collateralized mortgage obligations	4,238,008	-	4,238,008	-
U.S. Government Agencies	739,578	-	739,578	-
U.S. Treasury	1,061,326	-	1,061,326	-
Total at fair value	$ 17,540,010	$ -	$17,540,010	$ -

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, 2014:

		Fair Value Measure		
2014	Fair Value	Level 1	Level 2	Level 3
Other real estate owned	$ 2,102,844	$ -	$ -	$ 2,102,844
Total impaired assets measured at fair value	$ 2,102,844	$ -	$ -	$ 2,102,844

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.

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.

The carrying amounts and fair values of the Bank's financial instruments at December 31, 2015 and 2014 are presented below.

2015	Carrying Amount	Fair value	Fair value measurements Level 1	Level 2	Level 3
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

2014	Carrying Amount	Fair value	Fair value measurements Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	$ 135,196,420	$ 135,196,420	$ 135,196,420	$ -	$ -
Interest bearing deposits in banks	10,084,760	10,084,760	10,084,760	-	-
Investment securities	17,540,010	17,540,010	-	17,540,010	-
Other equity securities	2,858,950	2,858,950	-	2,858,950	-
Loans, net	322,907,555	322,534,099	-	-	322,534,099
Accrued interest receivable	1,219,606	1,219,606	-	1,219,606	-
Financial Liabilities:					
Accrued interest payable	66,176	66,176	-	66,176	-
Deposits	437,941,341	438,632,779	310,017,623	128,615,156	-
Federal Home Loan Bank advances	6,000,000	6,004,500	-	6,004,500	-
Off-balance sheet liabilities:					
Undisbursed loan commitments	-	260,000	-	-	260,000