Bay Commercial Bank

Press Release

Bay Commercial Bank Reports 2016 Third Quarterly Earnings of $1.2 Million

WALNUT CREEK, Calif.--(GLOBE NEWS WIRE)—Bay Commercial Bank, "Bank", (OTCBB:BCML), announced quarterly earnings of $1.2 million in the third quarter of 2016, compared to $1.5 million in the second quarter of 2016 and $1.3 million in the first quarter of 2016. Diluted earnings per share were $0.22 in the third quarter, compared to $0.27 in the prior quarter and $0.21 in the same quarter a year ago. Year-to-date earnings of $4.0 million compared to $8.5 million for the same nine-month period a year ago. Diluted earnings per share were $0.73 in the first nine months of 2016, an increase from $1.49 for the same period in 2015. The lower earnings per share in the third quarter 2016 compared to the second quarter 2016 is attributed to lower non-recurring gains on payoff of purchase credit impaired loans. The Bank's earnings per share for the first nine months of 2015 included $0.77 net earnings attributed to merger accounting.

President and Chief Executive Officer, George J. Guarini stated, "Our 2016 financial performance has primarily been about building our organic platform and expanding our product offerings. Our previous bank acquisitions have created the opportunities. We now have the earnings performance which enable us to commit resources to growth in Commercial and Industrial, Agricultural and SBA lending. Expanding these business lines will add diversification to our revenue stream and enhance our management of loan concentration risks. Our strong earnings history combined with our strong capital position permit us to take immediate advantage of strategic opportunities currently available in the marketplace. We anticipate that the M&A environment will allow us to attain scale, move toward a liquid security and significantly expand our geographical market reach."

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

- Loans totaled $513.5 million at September 30, 2016, compared to $504.9 million at June 30, 2016 and $420.1 million at September 30, 2015. New loan volume was approximately $26.8 million in the third quarter of 2016 compared to $32.9 million in the second quarter.
- Deposits totaled $568.7 million at September 30, 2016 compared to $535.7 million at June 30, 2016 and $545.7 million at September 30, 2015. Non-interest bearing deposits represent 24.0% of total deposits and the cost of total deposits increased slightly to 0.62%.
- Non-accrual loans represented 0.29% of total loans as of September 30, 2016 resulting in a Texas ratio of 3.07%. The provision for loan losses recorded in the quarter totaled $256 thousand primarily related to charge-offs for loans transferred to Other Real Estate Owned.

- All capital ratios are well above regulatory requirements for a well-capitalized institution. The total risk-based capital ratio was 13.91% at September 30, 2016 compared to 13.65% at June 30, 2016, and tangible common equity to tangible assets increased to 11.53% at September 30, 2016 from 11.48% at June 30, 2016.

Loans and Credit Quality

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

Year-to-date loan originations of $112.2 million are approx. $27.4 million higher than compared to the same period in 2015, while year-to-date payoffs are slightly lower than the first nine months of 2015. Payoffs of $15.8 million in the quarter ended September 30, 2016 were primarily the result of property sales or planned events.

Non-accrual loans totaled $1.5 million, or 0.29% of the loan portfolio at September 30, 2016, compared to $1.9 million, or 0.38%, at June 30, 2016 and $340 thousand, or 0.08% a year ago. The increase in non-accrual loans from a year ago primarily relates to Agriculture related loans which have experienced some credit deterioration. Accruing loans past due 30 to 89 days totaled $751 thousand at September 30, 2016, compared to $228 thousand at June 30, 2016 and zero a year ago.

The provision for loan losses recorded in the third quarter of 2016 totaled $256 thousand as the quality of the loan portfolio did not warrant a provision offset by charge-offs related to loans transferred to Other Real Estate Owned. Net charge-offs for the third quarter totaled $250 thousand compared to small recoveries in the prior quarter and in the same quarter a year ago. The ratio of loan loss reserve to loans totaled 0.83% at September 30, 2016 compared to 0.84% at June 30, 2016 and compared to 0.79% at June 30, 2015. As of September 30, 2016, acquired loans totaling $86.9 million are coved by mark to market valuations.

Investments and Borrowings

The investment portfolio totaled $28.1 million at September 30, 2016, a decline of $2.9 million from June 30, 2016 mainly due to the maturity of investment securities.

Deposits

Deposits totaled $568.7 million at September 30, 2016, compared to $535.7 million at June 30, 2016 and $545.7 million at September 30, 2015. While day-to-day volatility continues due to the normal business activity of our customers, the trend is upward in both average and ending balances. Non-interest bearing deposits totaled $136.2 million, or 24.0% of total deposits, compared to 24.8% at June 30, 2016 and 27.7% at September 30, 2015.

Earnings

Net interest income totaled $19.3 million in the first nine months of 2016 compared to $16.6 million for the same period of 2015. The increase of $2.6 million was primarily due to a combination of an increase in average earning assets of $47.1 million and a more profitable asset mix. Additionally, an increase in acquired loan income of $490 thousand in 2016 contributed to the positive results.

Net interest income totaled $6.3 million in the third quarter of 2016, compared to $6.6 million in the prior quarter and $16.5 million in the same quarter a year ago. Net interest income decreased $391 thousand in the third quarter compared to the prior quarter partially due to higher gains on payoffs of Purchased Credit Impaired ("PCI") loans in the second quarter of 2016 compared to the third quarter of 2016.

The tax-equivalent net interest margin was 4.07% in the third quarter of 2016, compared to 4.41% in the prior quarter and 3.95% in the same quarter a year ago. The decrease from last quarter includes 24 basis points related to the absence of payoffs of PCI loans.

Loans acquired through the acquisition of other banks are classified as PCI or non-PCI loans and are recorded at fair value at acquisition date. For acquired loans not considered credit impaired, the level of accretion varies due to maturities and early payoffs. Accretion on PCI loans fluctuates based on changes in cash flows expected to be collected. Gains on payoffs of PCI loans are recorded as interest income when the payoff amounts exceed the recorded investment. PCI loans totaled $8.8 million, $8.9 million, and $9.7 million at September 30, 2016, June 30, 2016 and September 30, 2015, respectively.

Accretion and gains on payoffs of purchased loans recorded to interest income were $439 thousand for the third quarter 2016 compared to $815 thousand for the second quarter 2016 and $2.1 million for the nine months ended 2016.

Non-interest income in the third quarter of 2016 totaled $339 thousand, compared to $308 thousand in the prior quarter and $369 thousand in the same quarter a year ago. The increase compared to the prior quarter primarily relates to a decline in servicing income as a result of serviced loan prepayments in the second quarter of 2016 compared to the third quarter of 2016. The decrease from the same quarter last year is primarily due to the declining level of loans serviced for others.

Non-interest expense totaled $4.2 million in the third quarter of 2016 up slightly from the prior quarter and unchanged from the same quarter a year ago. The increase from the second quarter of 2016 was due to lower salaries and benefits in the second quarter 2016 as a result of a one-time adjustment for severance related expenses.

About Bay Commercial Bank

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

Forward-Looking Statements

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

FINANCIAL HIGHLIGHTS

	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015
Quarter-To-Date				
Net Income	$ 1,206,952	$ 1,455,334	$ 1,348,753	$ 1,195,494
Diluted Earnings Per Common Share	$ 0.22	$ 0.27	$ 0.25	$ 0.21
Return On Average Assets (ROA)	0.76%	0.92%	0.84%	0.77%
Return On Average Equity (ROE)	6.38%	7.86%	7.39%	6.32%
Efficiency Ratio	63.87%	58.15%	64.75%	65.29%
Net Interest Margin	4.10%	4.40%	4.15%	4.13%
Net Charge-Offs/(Recoveries)	$ 225,802	$ (4,173)	$ (3,875)	$ (15,051)
Net Charge-Offs/(Recoveries) To Average Loans	0.04%	0.00%	0.00%	0.00%
Year-To-Date				
Net Income	$ 4,011,039	$ 2,804,087	$ 1,348,753	$ 8,472,392
Diluted Earnings Per Common Share	$ 0.73	$ 0.51	$ 0.25	$ 1.57
Return On Average Assets (ROA)	0.84%	0.88%	0.84%	1.91%
Return On Average Equity (ROE)	7.20%	7.63%	7.39%	16.03%
Efficiency Ratio	62.20%	61.39%	64.75%	58.13%
Net Interest Margin	4.21%	4.27%	4.15%	3.94%
Net Charge-Offs/(Recoveries)	$ 217,754	$ (8,048)	$ (3,875)	$ 85,000
Net Charge-Offs/(Recoveries) To Average Loans	0.04%	0.00%	0.00%	0.02%
At Period End				
Total Assets	$ 652,692,040	$ 641,773,583	$ 632,975,577	$ 630,038,628
Loans:				
Real Estate	$ 451,704,833	$ 443,545,296	$ 429,483,371	$ 355,775,764
Non-real estate	66,556,048	66,098,087	70,955,885	72,423,935
Non-accrual loans	1,508,962	1,909,952	333,676	340,131
Mark to market on acquired loans	(6,252,419)	(6,636,817)	(6,810,830)	(8,478,273)
Total Loans	$ 513,517,424	$ 504,916,518	$ 493,962,102	$ 420,061,557
Classified Loans (Graded Substandard and Doubtful)	$ 9,042,648	$ 9,150,090	$ 8,159,128	$ 11,699,590
Total Accruing Loans 30-89 Days Past Due	$ 751,000	$ 228,000	$ 174,000	$ -
Loan Loss Reserve To Loans	0.83%	0.84%	0.78%	0.79%
Loan Loss Reserve to Non-accrual loans	281.65%	220.95%	1153.81%	977.56%
Non-Accrual Loans To Total Loans	0.29%	0.38%	0.07%	0.08%
Texas Ratio	3.07%	2.42%	0.43%	2.24%
Total Deposits	$ 568,696,915	$ 535,660,525	$ 552,935,627	$ 545,722,145
Loan-To-Deposit Ratio	90.30%	95.50%	90.57%	78.53%
Stockholders' Equity	$ 76,021,952	$ 74,555,843	$ 73,214,928	$ 76,227,656
Book Value Per Share	$ 13.93	$ 13.71	$ 13.41	$ 13.79
Tangible Common Equity To Tangible Assets	11.53%	11.48%	11.41%	11.92%
Total Risk-Based Capital Ratio-Bank	13.91%	13.65%	13.57%	15.34%
Full-Time Equivalent Employees	104	106	103	106

STATEMENT OF CONDITION (UNAUDITED)
At September 30, 2016, June 30, 2016, March 31, 2016 and September 30, 2015

	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015
Assets				
Cash and due from banks	$ 99,259,774	$ 93,803,247	$ 91,660,648	$ 147,845,533
Investments	28,133,192	30,984,459	34,352,659	44,171,847
Loans, net of allowance for loan losses and deferred fees	509,320,697	500,777,284	490,235,878	416,609,643
Bank premises and equipment, net	1,206,631	1,283,335	1,209,327	1,278,013
Deposit Premium	885,500	990,500	1,095,500	1,305,500
Interest receivable and other assets	13,886,244	13,934,758	14,421,565	18,828,092
Total assets	$ 652,692,039	$ 641,773,583	$ 632,975,577	$ 630,038,628
Liabilities and Stockholders' Equity				
Liabilities				
Deposits				
Non-interest bearing	$ 136,246,446	$ 132,864,909	$ 148,676,442	$ 150,992,318
Interest bearing				
MMA/NOW/SVG	129,531,642	144,929,898	149,101,077	144,778,968
Premium MM	162,282,939	127,455,442	127,608,116	115,300,215
Time Deposits	140,635,888	130,410,276	127,549,992	134,650,644
Total deposits	$ 568,696,915	$ 535,660,525	$ 552,935,627	$ 545,722,145
Federal Home Loan Bank (FHLB) and other borrowings	1,000,000	25,000,000	-	-
Interest payable and other liabilities	6,973,173	6,557,215	6,825,022	8,088,827
Total liabilities	$ 576,670,088	$ 567,217,740	$ 559,760,649	$ 553,810,972
Stockholders' Equity				
Common Stock, no par value	$ 47,324,304	$ 47,041,124	$ 47,344,174	$ 50,457,005
Retained earnings	24,522,001	24,522,001	24,522,001	17,069,557
Accumulated other comprehensive income	4,175,647	2,992,718	1,348,753	8,701,094
Total stockholders' equity	76,021,952	74,555,843	73,214,928	76,227,656
Total liabilities and stockholders' equity	$ 652,692,039	$ 641,773,583	$ 632,975,577	$ 630,038,628

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended				Nine months ended	
	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest income						
Interest Income - Non RE	$ 892,219	$ 873,450	$ 939,074	$ 1,030,722	$ 2,704,743	$ 3,065,382
Interest Income - RE	5,520,245	5,487,036	5,092,414	4,940,350	16,099,695	13,331,146
Interest on investment securities	150,635	187,224	241,268	218,957	579,127	739,029
Interest on Federal funds sold and other bank deposits	119,092	102,847	60,664	53,329	282,603	241,547
Mark to market accretion and FAS 91 Fee amortization	438,906	815,134	809,653	610,932	2,063,693	1,573,883
Total interest income	$ 7,121,097	$ 7,465,691	$ 7,143,073	$ 6,854,290	$ 21,729,861	$ 18,950,987
Interest expense						
Interest on transaction accounts	392,029	367,712	374,435	348,803	1,134,176	983,442
Interest on time deposits	366,532	344,445	315,794	350,680	1,026,771	1,032,384
Premium on core deposits	105,000	105,000	105,000	112,559	315,000	323,089
Total interest expense	$ 863,561	$ 817,157	$ 795,229	$ 812,042	$ 2,475,947	$ 2,338,915
Net interest income	6,257,536	6,648,534	6,347,844	6,042,248	19,253,914	16,612,072
Provision for loan losses	255,801	365,828	(3,875)	209,950	617,754	909,548
Net interest income after provision for loan losses	$ 6,001,735	$ 6,282,706	$ 6,351,719	$ 5,832,298	$ 18,636,160	$ 15,702,524
Non-interest income						
Total Loan Fee Income	109,232	74,671	68,023	117,441	251,926	325,887
Total Service Charge Income	52,788	53,310	63,602	53,585	169,700	167,440
Total Other Fees & Service Charges	88,865	94,133	95,816	90,139	278,814	269,969
Total Other Income	88,412	86,227	111,979	107,654	286,618	7,769,753
Total non-interest income	$ 339,297	$ 308,341	$ 339,420	$ 368,819	$ 987,058	$ 8,533,049
Non-interest expense						
Salaries and Benefits	2,676,450	2,575,184	2,832,004	2,687,965	8,083,638	8,722,560
Occupancy	518,447	544,666	537,227	538,935	1,600,340	1,580,600
Professional	187,086	175,474	239,481	160,938	602,041	656,348
Insurance	115,490	106,875	91,173	70,171	313,538	283,185
Data processing	352,171	355,951	323,091	364,747	1,031,213	1,906,342
Office	173,641	162,982	163,385	194,180	500,008	564,362
Marketing	68,035	55,411	59,313	65,032	182,759	241,072
Net Loan	64,782	11,611	24,389	47,736	100,782	262,227
Other Miscellaneous	57,380	57,160	60,218	55,918	174,758	400,387
Total non-interest expense	$ 4,213,482	$ 4,045,314	$ 4,330,281	$ 4,185,622	$ 12,589,077	$ 14,617,083
Income before provision for income taxes	2,127,552	2,545,733	2,360,856	2,015,495	7,034,141	9,618,490
Provision for income taxes	920,600	1,090,400	1,012,100	820,000	3,023,100	1,146,100
Net income	$ 1,206,952	$ 1,455,333	$ 1,348,754	$ 1,195,495	$ 4,011,039	$ 8,472,390
Net income per common share:						
Basic	$ 0.22	$ 0.27	$ 0.25	$ 0.21	$ 0.73	$ 1.49
Diluted	0.22	0.27	0.25	0.21	0.73	1.49
Weighted average shares used to compute net income per common share:						
Basic	$ 0.22	$ 0.27	$ 0.25	$ 0.21	$ 0.74	$ 1.57
Diluted	0.22	0.27	0.25	0.21	0.74	1.57
Comprehensive income:						
Net income	$ 1,206,952	$ 1,455,333	$ 1,348,754	$ 1,195,495	$ 4,011,039	$ 8,472,390
Other comprehensive income						
Change in net unrealized gain (loss) on available-for-sale	(26,982)	82,733	31,802	133,191	87,553	276,564
Deferred tax expense (benefit)	2,959	(34,333)	(13,199)	(55,274)	(44,573)	(94,929)
Other comprehensive income (loss), net of tax	(24,023)	48,400	18,603	77,917	42,980	181,635
Comprehensive income	$ 1,182,929	$ 1,503,733	$ 1,367,357	$ 1,273,412	$ 4,054,019	$ 8,654,025

Bay Commercial Bank
Keary Colwell, 925-476-1800
kcolwell@bcb-ca.com

Source: Bay Commercial Bank