NEWS RELEASE **for Immediate Release** – February 8, 2018

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Community Bank of the Bay Announces 2017 Fourth Quarter and Year-End Results

OAKLAND, CA - Community Bank of the Bay (CBYAA), a San Francisco Bay Area commercial bank with full service offices in Oakland and Danville, and two business offices in the Silicon Valley, reported unaudited financial results for its fourth quarter and year ending December 31, 2017.

2017 Fourth Quarter Financial Highlights

- Net income for the quarter ending December 31, 2017 totaled $48 thousand, compared to $565 thousand in the prior quarter, and $357 thousand in the same quarter a year ago. Earnings per common share were effectively nil in the fourth quarter of 2017 due to a one-time deferred tax asset write down.
- 2017 Fourth Quarter Net Income included a $455 thousand write down of a deferred tax asset due to recently enacted Federal Corporate Tax Reform. Excluding this write down Net Income would have been $502 thousand, or $0.07 per common share compared with $0.08 in the prior quarter when the Bank benefited from a $227 thousand Bank Enterprise Award.
- Total assets at December 31, 2017 were $295 million, an increase of $46.3 million, or 18.6 percent, from a year ago. Average earning assets for the quarter reached $285 million, an increase of $39.6 million, or 16.2 percent, compared with the same quarter a year ago.
- Deposits totaled $257 million at December 31, 2017 and were up $33.7 million, or 15.1 percent, from a year ago. The growth was concentrated in non-interest bearing demand accounts, which increased 32.2% from a year ago.
- Loans totaled $238 million at December 31, 2017, an increase of $22.0 million, or 10.2 percent, from the prior quarter, and were higher by $52.0 million, or 27.8 percent, compared to the same quarter last year. Fourth quarter 2017 growth included $6.6 million in net commercial loan originations and $5.0 million in single family mortgage acquisitions.
- Non-performing assets remained unchanged during the fourth quarter and totaled $1.4 million at December 31, 2017, representing 0.5 percent of total loans. The allowance for loan losses represents 1.46 percent of total loans at quarter end.
- Net interest margin for the fourth quarter totaled 3.96 percent compared with 3.98 percent for the prior quarter and 4.12 percent in the same quarter a year ago. The decline from the same quarter a year ago is primarily due to a shift in the mix from higher-yielding loans to lower-yielding cash and equivalents.
- Total equity as of December 31, 2017 of $37.7 million increased by $94 thousand, or 0.2 percent, from the prior quarter, primarily reflecting fourth-quarter earnings including one time deferred tax asset write down. The increase in equity of $12.8 million from a year ago primarily relates to the first-quarter 2017 issuance of 2,285,715 common shares totaling $12 million. The Bank's capital levels remain well above FDIC "Well Capitalized" standards as of December 31, 2017, with a total capital ratio of 16.75 percent, a tier 1 capital ratio of 15.50 percent, and a common equity tier 1 capital ratio of 13.82 percent.
- Book value per common share totaled $5.07 as of December 31, 2017, up from $4.79 at December 31, 2016, mainly reflecting earnings.

"We are pleased with the year's growth and deployment of the new capital. Loans increased $52 million during the year and we are starting 2018 with outstanding loans $34 million above their 2017 average. This higher level of earning assets combined with lower corporate tax rates, and possibly higher interest rates should drive revenue increases in 2018," said William S. Keller, President, and Chief Executive Officer. "After raising capital we set out to not only grow earnings capacity, but also to invest in our personnel and infrastructure without severely pressuring income. If not for the one-time effect of the deferred tax asset adjustment we accomplished that. Among a number of quality additions, we are pleased to announce that Mr. John Barr has returned as our full-time Chief Credit Officer and Mr. Mukhtar Ali has joined the bank as

Chief Operating Officer. Both executives are respected professionals who are well known in our community and will help position us to take maximum advantage of the continued growth in our markets."

About Community Bank of the Bay

Community Bank of the Bay (OTCBB: CBYAA) serves the financial needs of closely held businesses and professional service firms, as well as their owner-operators and non-profit organizations throughout the San Francisco Bay Area. Community Bank of the Bay is a member of the FDIC, an SBA Preferred Lender, and a CDARS depository institution, headquartered in Oakland, with offices in Danville, San Mateo and Campbell, CA. It is also California's first FDIC-insured certified Community Development Financial Institution and one of only three operating in the Northern California market. The bank is recognized for establishing the Bay Area Green Fund to provide financing to sustainable businesses and projects and supports environmentally responsible values. Additional information on the bank is available online at www.BankCBB.com.

Forward-Looking Statements

This release may contain forward-looking statements, such as, among others, statements about plans, expectations and goals concerning growth and improvement. Forward-looking statements are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, including the real estate market in California and other factors beyond the Bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The Bank does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether to reflect new information, future events, or otherwise, except as required by law.

COMMUNITY BANK OF THE BAY
UNAUDITED SUMMARY FINANCIAL STATEMENTS
(Dollars in thousands, except earnings per share)

INCOME STATEMENT	Three Months Ended					Year to Date		
	2017	2017	Qtr over Qtr	2016	Qtr over Yr Ago Qtr	2017	2016	Year over Year
	December 31	September 30	% Change	December 31	% Change	December 31	December 31	% Change
Interest income	$ 3,085	$ 2,930	5.3%	$ 2,766	11.5%	$ 11,306	$ 10,857	4.1%
Interest expense	247	223	10.8%	231	6.9%	937	823	13.9%
Net interest income before provision	2,838	2,707	4.8%	2,535	12.0%	10,369	10,034	3.3%
Provision for Loan Losses	100	100	0.0%	-	NMV	325	-	
Net interest income after provision	2,738	2,607	5.0%	2,535	8.0%	10,044	10,034	0.1%
Non-interest income	401	353	13.6%	281	42.7%	1,041	1,371	-24.1%
Non-interest expense	2,129	2,019	5.4%	2,229	-4.5%	8,111	8,428	-3.8%
Income before provision for income taxes	1,010	941	7.3%	587	72.1%	2,974	2,977	-0.1%
Provision for income taxes	962	376	155.9%	230	318.3%	1,747	1,189	46.9%
Net income	$ 48	$ 565	-91.5%	$ 357	-86.6%	$ 1,227	$ 1,788	-31.4%
Less: preferred dividends	20	20	0.0%	20	0.0%	81	81	0.0%
Net income available for common stockholders	$ 28	$ 545	-94.9%	$ 337	-91.7%	$ 1,146	$ 1,707	-32.9%
Basic earnings per common share	$ 0.00	$ 0.08	-94.9%	$ 0.08	-94.6%	$ 0.18	$ 0.40	-53.3%
Weighted average common shares outstanding	6,639,631	6,635,179		4,334,991		6,201,984	4,309,818	
Return on average assets	0.06%	0.80%		0.55%		0.44%	0.71%	
Return on average common equity	0.32%	6.53%		6.51%		3.38%	8.59%	

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UNAUDITED SUMMARY FINANCIAL STATEMENTS
(Dollars in thousands, except book value per share)

BALANCE SHEET	At Period End				
	2017	2017	Qtr over Qtr	2016	Year over Year
ASSETS	December 31	September 30	% Change	December 31	% Change
Total cash and investments	$ 52,525	$ 67,096	-21.7%	$ 57,235	-8.2%
Loans, net of unearned income	238,452	216,411	10.2%	187,157	27.4%
Loan loss reserve	(3,474)	(3,403)	2.1%	(3,173)	9.5%
Other assets	8,186	8,875	-7.8%	8,117	0.9%
Total Assets	295,689	288,979	2.3%	249,336	18.6%
LIABILITIES AND SHAREHOLDERS EQUITY					
Non-interest bearing demand deposits	100,671	110,482	-8.9%	76,176	32.2%
Interest bearing deposits	156,534	139,716	12.0%	147,255	6.3%
Total deposits	257,205	250,198	2.8%	223,431	15.1%
Total borrowings and other liabilities	784	1,175	-33.3%	1,014	-22.7%
Total Liabilities	$ 257,989	$ 251,373	2.6%	$ 224,445	14.9%
Total equity	37,700	37,606	0.2%	24,891	51.5%
Total Liabilities and Total Equity	$ 295,689	$ 288,979	2.3%	$ 249,336	18.6%
Book value per common share	$ 5.07	$ 5.05	0.4%	$ 4.79	5.8%