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Community Bank of the Bay Announces Record 2013 Earnings and Asset Growth

OAKLAND, CA - Community Bank of the Bay (CBYAA.OB), a San Francisco Bay Area community business bank with locations in Oakland, Danville, and San Jose, announced unaudited earnings results for its fourth quarter and fiscal year ending December 31, 2013.

2013 Financial Highlights

- Net income for the year 2013 was a record \$2.0 million, or \$0.49 per share, an increase of \$643 thousand, or 46 percent from the prior year's \$1.4 million, or \$0.33 per share. 2013 income included an \$800 thousand reversal of a deferred tax asset valuation allowance and 2012 income included a \$656 thousand reversal of an accrued salary continuation expense. 2013 net income increased 68 percent from the prior year excluding these non-core items.
- Net income for the 2013 fourth quarter totaled \$475 thousand, or \$0.11 per share, compared to \$791 thousand or \$0.19 per share for the same quarter in 2012, when the Bank reversed the accrued salary continuation expense.
- Total assets at December 31, 2013 were a record \$175.0 million compared to \$155.1 million at December 31, 2012. Average earning assets for the 2013 fourth quarter reached \$166.7 million, an increase of \$32.2 million, or 24 percent, compared with the fourth quarter of 2012.
- For the year 2013 return on average assets was 1.26 percent compared to 1.01 percent in 2012. Return on average common equity was 14.7 percent compared to 11.7 percent for the same period a year ago. 2013 book value per common share of \$3.59 represented a 17.9 percent increase from a year ago.
- Deposits increased \$0.1 million to a record \$150.6 million in the fourth quarter of 2013. Deposits increased \$19.6 million or 15.0 percent from the prior year.
- Loans declined \$1.3 million to \$127.7 million in the fourth quarter of 2013, and represented a 1.0 percent decrease from the prior quarter. \$1.2 million of the decline in loans during the quarter is attributable to the resolution of non-performing assets. Loans increased \$17.7 million or 16.2 percent from the prior year.
- Total non-performing assets including non-accrual loans, OREO and other assets owned declined \$551 thousand, or 15.6 percent during 2013 to \$3.0 million, and represent 2.34 percent of total loans compared to 3.22 percent of total loans in 2012.
- Net interest margin for the year ending December 31, 2013 decreased seventeen basis points to 4.43 percent, compared with 4.60 percent for the prior year.
- Capital levels remain well above FDIC "Well Capitalized" standards. December 31, 2013 common equity increased 17.9 percent, while total equity of \$19.0 million resulted in tier 1 leverage of 10.78 percent.

"2013 was a significant year for the Bank as we built on the foundation that was established in recent years. We elected William Purcell and Gunter Unruh to the board positions of Chairman and Vice-Chairman respectively, and added two more exceptionally experienced directors in Jack Hounslow and James Mayer. The commitment and support of our entire Board has been extremely important to our success.

The Bank added four new staff members, enhancing our team in the Silicon Valley Region, SBA lending and credit administration. We closed on the sale of our Oakland headquarters building and moved to more cost effective and efficient offices in a LEED certified building, at 180 Grand Ave, Oakland.

Community Bank of the Bay was again recognized by the Community Development Financial Institution Fund of the US Treasury, by receiving the Bank Enterprise Award (BEA). The BEA program was created, in 1994 to support FDIC-insured financial institutions around the country that are dedicated to financing and supporting community and economic development activities. This is the thirteenth year that the Bank has received this award, and the fourth consecutive year in which the Bank was funded at the highest level. This award validates our commitment to make a positive and sustainable economic impact on our community by providing local businesses and non-profit organizations with a committed and resourceful financial partner who can help them achieve their goals and build a healthy and economically inclusive community.

"Looking ahead to 2014 we expect continued benefits from the increased earning asset base, and full year cost savings from our headquarters move and asset quality improvements, while continuing to make investments in markets and people. We are excited by the potential of the service offerings we have been working on and expect to introduce specific initiatives throughout the year," stated William S. Keller, President and Chief Executive Officer.

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 and San Jose, CA. It is also one of only three certified Community Development Financial Institutions in the Northern California market. The bank is recognized for establishing the Bay Area Green Fund to provide financing to sustainable businesses and supports environmentally responsible values. Additional information on the bank is available online at www.communitybankbay.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.