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Community Bank of the Bay Announces 2017 First-Quarter Results New Capital and Rising Deposits

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 quarter ending March 31, 2017.

2017 First-Quarter Financial Highlights

- \$12 million in additional capital received during the first quarter through a private placement, combined with accelerated deposit growth, positions the Bank for future growth and enhanced profitability.
- Net income for the quarter ending March 31, 2017 totaled \$207 thousand, a decrease of \$150 thousand, or 42 percent, from the prior quarter, and a decrease of \$406 thousand, or 66 percent, from the same quarter a year ago. Earnings per common share totaled \$0.04 in the first quarter of 2017, compared to \$0.08 in the prior quarter and \$0.14 in the same quarter a year ago. The change from the prior quarter and same quarter a year ago is primarily due to lower interest received on loans, as average loan balances declined, combined with fewer gains on the sale of SBA loans.
- Total assets at March 31, 2017 were \$274 million, an increase of \$24.9 million, or 10.0 percent, from the prior quarter, and an increase of \$26.6 million, or 10.7 percent, from a year ago. Average earning assets for the quarter reached \$250 million, an increase of \$5.2 million, or 2.1 percent, compared with the prior quarter, and an increase of \$16.9 million, or 7.3 percent, from the same quarter a year ago.
- Deposits totaled \$236 million at March 31, 2017 and were up \$12.2 million, or 5.4 percent, from the prior quarter and up \$12.6 million, or 5.6 percent, from a year ago. Non-interest bearing deposits totaled \$84.5 million at March 31, 2017 and represented 35.8 percent of total deposits.
- Loans totaled \$198 million at March 31, 2017, an increase of \$10.9 million, or 5.8 percent, from the prior quarter, and were higher by \$2.8 million, or 1.5 percent, compared to the same quarter last year.
- Non-performing assets decreased \$219 thousand to \$1.8 million in the first quarter and now represent 0.9 percent of total loans. The allowance for loan losses represents 1.50 percent of total loans at quarter end.
- Net interest margin for the first quarter totaled 3.70 percent, compared with 4.11 percent for the prior quarter, and 4.34 percent in the same quarter a year ago, primarily due to a shift in the mix from higher-yielding loans to lower-yielding cash and equivalents, and to a lesser extent, a slightly higher cost of funds.
- Capital grew in the first quarter of the year, primarily due to the issuance of 2,285,715 shares as part a private placement, which included institutional investors as well as each director of the Bank. Total equity as of March 31, 2017 of \$37.2 million increased \$12.3 million, or 49.3 percent, from December 31, 2016. The Bank's capital levels remain well above FDIC "Well Capitalized" standards as of March 31, 2017, with a total capital ratio of 19.07 percent, a tier 1 capital ratio of 17.81 percent, and a common equity tier 1 capital ratio of 15.87 percent.
- Book value per common share totaled \$4.99 as of March 31, 2017, up from \$4.79 at December 31, 2016, reflecting the first-quarter private placement.

"The first quarter's performance was negatively impacted by lower average loans outstanding before rebounding at quarter end," said William S. Keller, President, and Chief Executive Officer. "With new capital comes the opportunity and responsibility to grow the Bank in a disciplined manner that raises the Bank's level of profitability and provides sustainable returns for our shareholders. We are reviewing all aspects of our operations in order to better serve our clients and take advantage of the continued growth in our markets, especially the economic transformation occurring in Oakland. One result of this reflection is the departure of Chief Credit Officer Richard Hagarty. Our preceding Chief Credit Officer, John Barr will fill the role on an interim basis until a permanent CCO is identified. Mr. Barr's credit expertise, and his understanding of our markets, especially our East Bay client base, compliments the Bank's overall strategy for the deployment of our new capital."

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 book value per share)

BALANCE SHEET	At Period End				
	2017 March 31	2016 December 31	Qtr over Qtr % Change	2016 March 31	Year over Year % Change
ASSETS					
Total cash and investments	\$ 69,917	\$ 57,235	22.2%	\$ 47,872	46.0%
Loans, net of unearned income	198,071	187,157	5.8%	195,240	1.5%
Loan loss reserve	(2,980)	(3,173)	-6.1%	(3,308)	-9.9%
Other assets	9,273	8,117	14.2%	7,859	18.0%
Total Assets	274,281	249,336	10.0%	247,663	10.7%
LIABILITIES AND SHAREHOLDERS EQUITY					
Non-interest bearing demand deposits	84,467	76,176	10.9%	80,236	5.3%
Interest bearing deposits	151,139	147,255	2.6%	142,809	5.8%
Total deposits	235,606	223,431	5.4%	223,045	5.6%
Total borrowings and other liabilities	1,520	1,014	49.9%	1,064	42.9%
Total Liabilities	\$ 237,126	\$ 224,445	5.6%	\$ 224,109	5.8%
Total equity	37,155	24,891	49.3%	23,554	57.7%
Total Liabilities and Total Equity	\$ 274,281	\$ 249,336	10.0%	\$ 247,663	10.7%
Book value per common share	\$ 4.99	\$ 4.79	4.2%	\$ 4.52	10.4%

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(Dollars in thousands, except earnings per share)

INCOME STATEMENT	Three Months Ended				
	2017 March 31	2016 December 31	Qtr over Qtr % Change	2016 Mar 31	Qtr over Yr Ago Qtr % Change
Interest income	\$ 2,519	\$ 2,766	-8.9%	\$ 2,719	-7.4%
Interest expense	235	231	1.7%	196	19.9%
Net interest income before provision	2,284	2,535	-9.9%	2,523	-9.5%
Provision for loan losses	50	-	100.0%	-	100.0%
Net interest income after provision	2,234	2,535	-11.9%	2,523	-11.5%
Non-interest income	139	281	-50.5%	477	-70.9%
Non-interest expense	2,028	2,229	-9.0%	1,975	2.7%
Income before provision for income taxes	345	587	-41.2%	1,025	-66.3%
Provision for income taxes	138	230	-40.0%	412	-66.5%
Net income	<u>\$ 207</u>	<u>\$ 357</u>	<u>-42.0%</u>	<u>\$ 613</u>	<u>-66.2%</u>
Less: preferred dividends	20	20	0.0%	20	0.0%
Net income available for common stockholders	<u>\$ 187</u>	<u>\$ 337</u>	<u>-44.5%</u>	<u>\$ 593</u>	<u>-68.5%</u>
Basic earnings per common share	\$ 0.04	\$ 0.08	-50.0%	\$ 0.14	71.4%
Weighted average common shares outstanding	4,898,819	4,334,991	13.0%	4,272,197	14.7%
Dilutive shares	167,502	167,502		167,502	
Diluted EPS	\$ 0.04	\$ 0.07	-50.7%	\$ 0.13	-72.4%
Return on average assets	0.31%	0.55%		0.97%	
Return on average common equity	3.12%	6.51%		12.48%	