Press Release

BayCom Corp Reports 2017 Full Year Earnings of $5.3 Million

WALNUT CREEK, Calif.--(GLOBE NEWS WIRE)—BayCom Corp (the "Company"), (OTCBB:BCML), the holding company for United Business Bank (the "Bank"), announced earnings of $5.3 million or $0.81 per diluted share for the year ended December 31, 2017, compared to $5.9 million or $1.09 per diluted share for the year ended December 31, 2016. The Company reported a net loss of $839 thousand or $0.12 per diluted share for the fourth quarter of 2017 compared to net earnings of $3.2 million or $0.40 per diluted share for the third quarter of 2017 and $1.9 million or $0.35 per diluted share for the fourth quarter of 2016. The net loss during the fourth quarter of 2017 was primarily the result of a $2.7 million, or $0.37 per diluted share income tax adjustment due to a revaluation adjustment of the Company's deferred tax asset as result of the passage of the Tax Cuts and Jobs Act (the "Tax Act"). The current quarter results were also impacted by $1.2 million of acquisition-related expenses related to the Plaza Bank acquisition, which, net of tax benefit, reduced net income by $0.11 per diluted share, and the full year results were impacted by $3.4 million of acquisition-related expenses which, net of tax benefit, reduced net income by $0.34 per diluted share. Pre-tax income for the fourth quarter was $3.7 million, which was a $1.5 million or 29.2%, decrease compared to the preceding quarter and a $404 thousand, or 12.2%, increase from the year ago quarter.

President and Chief Executive Officer, George J. Guarini stated, "2017 has been a transformational year for us. We closed two mergers doubling our asset size and number of branch locations, expanded our market footprint to include three new market areas, and we launched our SBA lending activities. While the immediate impact of the federal tax rate and the expenses related to the Plaza Bank merger caused a loss for the fourth quarter, we are well positioned to show strong earnings in 2018."

Mr. Guarini added, "We are again in a position to look for new opportunities and anticipate that the M&A environment will allow us to continue to expand our geographical market reach, build market penetration, and add value for our clients and earnings per share growth for our shareholders."

Fourth Quarter 2017 Performance Highlights:

- Total assets increased $60.3 million in the fourth quarter 2017 to $1.25 billion at December 31, 2017, compared to $1.19 billion at September 30, 2017 and $675.3 million at December 31, 2016.

- Loans, net of allowance and deferred fees, totaled $890.1 million at December 31, 2017, compared to $841.1 million at September 30, 2017 and $504.3 million at December 31, 2016.

- Deposits totaled $1.10 billion at December 31, 2017 compared to $1.05 billion at September 30, 2017 and $590.8 million at December 31, 2016. Non-interest bearing deposits represent 29.6% of total deposits at December 31, 2017.

- Non-accrual loans represented 0.02% of total loans as of December 31, 2017, compared to 0.02% and 0.21% of total loans as of September 30, 2017 and December 31, 2016, respectively.

- The Bank remains a "well-capitalized" institution for regulatory capital purposes at December 31, 2017.

Loans and Credit Quality

Loans increased $40.9 million, or 4.8%, to $894.8 million at December 31, 2017, from $853.9 million at September 30, 2017 and increased $386.9 million, or 76.1%, from $508.4 million at December 31, 2016. The Plaza Bank acquisition in November 2017 accounted for $65.4 million of loan growth with loan originations adding $36.5 million during the fourth quarter of 2017 partially offset by loans sold and principal repayments. Loan originations in the fourth quarter of 2017 were spread throughout our markets with the majority focused in Solano, Contra Costa and San Mateo Counties, with commercial and residential real estate secured loans accounting for the majority of the originations during the quarter. The increase in loans from the year ended December 31, 2016, was primarily the result of the Company's acquisition of United Business Bank, FSB in April, 2017, which accounted for $316.0 million of the loan growth. Loan originations for year ended December 31, 2017 totaled $127.9 million. The Company also sold $24.7 million of the guaranteed portion of U.S. Small Business Administration ("SBA") loans during 2017, of which $22.3 million settled in 2017.

Non-accrual loans totaled $179 thousand, or 0.02% of total loans, at December 31, 2017, compared to $187 thousand, or 0.02% of total loans, at September 30, 2017 and $1.1 million, or 0.21% of total loans, at December 31, 2016. The decrease in non-accrual loans from a year ago primarily relates to repayment on delinquent loans. At December 31, 2017, accruing loans past due 30 to 89 days totaled $1.9 million, compared to zero delinquent loans at September 30, 2017 and $625 thousand at December 31, 2016. The increase in past due loans was related to seven unrelated loans, all of which were brought current in January 2018.

At December 31, 2017, our allowance for loan losses was $4.2 million, or 0.47% of total loans compared to $4.1 million, or 0.48% of total loans, at September 30, 2017 and $3.8 million, or 0.74% of total loans, at December 31, 2016. The allowance for loan losses plus the discount on acquired loans totaled $12.9 million, representing 1.45% of total loans at December 31, 2017 compared to $11.9 million, representing 1.40% of total loans, at September 30, 2017. Included in the carrying value of loans are net discounts on acquired loans which may reduce the need for an allowance for loan losses on these loans, because they are carried at their estimated fair value on the date on which they were acquired. As of December 31, 2017, acquired loans net of their discount totaled $399.1 million. Net recoveries for the fourth quarter totaled $23 thousand compared to charge-offs of $45 thousand in the prior quarter and $456 thousand in the same quarter a year ago. Net charge-offs for the year ended December 31, 2017 totaled $22 thousand compared to $673 thousand in 2016.

The provision for loan losses recorded in the fourth quarter of 2017 totaled $117.0 thousand primarily as a result of growth in our organic and legacy loan portfolio. Low levels of delinquent, nonperforming and classified loans, the level of our allowance for loan losses and stabilized real estate values in our market areas mitigated the required provision for loan losses.

Deposits and Borrowings

Deposits totaled of $1.1 billion at December 31, 2017, compared to $590.8 million at December 31, 2016. The increase in deposits was primarily attributable to the $482.2 million of deposits acquired in connection with our two bank acquisitions in 2017 and to a lesser extent, organic growth. Non-interest bearing deposits totaled $327.3 million, or 29.6% of total deposits, at December 31, 2017, compared to $128.7 million, or 21.8% of total deposits, at December 31, 2016.

At December 31, 2017, borrowings totaled $11.4 million, which included $6.0 million in long-term secured borrowings and $5.4 million, net carrying value, of junior subordinated debentures issued in connection with the sale of trust preferred securities that were acquired through our acquisition of United Business Bank, FSB. The Company had no borrowings at December 31, 2016.

Earnings

Net interest income increased $4.8 million, or 69.3%, to $11.8 million for the quarter ended December 31, 2017, compared to $7.0 million for the same period of 2016. Net interest income increased $13.4 million, or 50.4%, to $39.9 million for the year ended December 31, 2017, compared to $26.6 million for the same period of 2016. The increase in net interest income was primarily due to an increase in average earning assets of $516.9 million and $348.7 million for the fourth quarter and year ending December 31, 2017, respectively, compared to the same periods in 2016. Interest income on loans for the quarter and year ended December 31, 2017 included $983 thousand and $3.7 million, respectively, in accretion of purchase accounting fair value adjustments on acquired loans, compared to $815 thousand and $3.4 million for the quarter and year ended December 31, 2016, respectively. The remaining net discount on these purchased loans was $14.4 million, $13.8 million, and $7.4 million at December 31, 2017, September 30, 2017, and December 31, 2016. The average yield earned on loans for the year ended December 31, 2017 was 5.44%, down 32 basis points from 5.76% for the year ended December 31, 2016.

Net interest margin is enhanced by the amortization of acquisition accounting discounts on loans acquired in the acquisitions, which are accreted into loan interest income. The Company's net interest margin was 3.96% for the fourth quarter of 2017 compared to a net interest margin of 4.31% in the preceding quarter, and 4.16% in the fourth quarter a year ago. Accretion of acquisition accounting discounts on loans and the recognition of revenue from purchase credit impaired loans in excess of discounts increased our net interest margin by 22 basis points, 62 basis points and 60 basis points during the fourth quarter of 2017, the third quarter of 2017 and the fourth quarter of 2016, respectively. The decline in net interest margin during the fourth quarter of 2017 compared to the fourth quarter a year earlier primarily reflects reduction in revenue from repayment of purchase credit impaired loans in excess of discounts partially offset by a reduction in the cost of funds.

Non-interest income for the fourth quarter of 2017 increased $336 thousand, or 31%, to $1.4 million, compared to $1.1 million for the prior quarter and increased $1.0 million, or 282%, from $371 thousand in the same quarter in 2016. Non-interest income for the year ended December 31, 2017 increased $3.4 million, or 253%, to $4.8 million, compared to $1.4 million for the year ended December 31, 2016. The increase compared to the prior quarter primarily relates to a gain on sale of other real estate owned property. The increases in the fourth quarter and the year ending December 31, 2017 compared to the prior periods in 2016 primarily relate to gain on sale of loans, higher loan fee income and servicing charge income. We recorded a $461 thousand and $2.2 million gain on sale of loans during the fourth quarter and year ended December 31, 2017, respectively, with no gain on sale of loans recorded during 2016. Additionally, the acquisitions and organic growth significantly increased the deposit portfolio and number of accounts serviced, which increased service charges and fees.

Non-interest expense for the fourth quarter of 2017 increased by $1.9 million, or 25.3%, to $9.4 million, compared to $7.5 million in the prior quarter, and by $5.3 million, or 132%, compared to $4.1 million for the same quarter in 2016. The fourth quarter of 2017 was higher than the prior quarter primarily due to the $1.2 million one-time recognition of acquisition-related expenses related to Plaza Bank. Non-interest expense for the year ended December 31, 2017 increased $13.2 million, or 77.6%, to $30.1 million, compared to $17.0 million for the year ended December 31, 2016. The increases for the fourth quarter and year end December 31, 2017 compared to the same periods in 2016 were primarily attributable to higher operating costs resulting from our two bank acquisitions during 2017, including an increase in salary and benefits associated with the increased number of employees, an increase in occupancy expense associated with additional branch offices and an increase in data processing charges as a result of higher transaction volume. One time merger related expenses totaled $3.5 million, or 12% of total operating expenses, in 2017.

About BayCom Corp

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. The Company is traded Over the Counter Bulletin Board under the symbol "BCML". For more information, go to www.unitedbusinessbank.com.

Forward-Looking Statements

This release, as well as other public or stockholder communications released by the Company, may contain forward-looking statements, including, but not limited to, (i) statements regarding the financial condition, results of operations and business of the Company, (ii) statements about the Company's plans, objectives, expectations and intentions and other statements that are not historical facts and (iii) other statements identified by the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions that are intended to identify "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current beliefs and expectations of the Company's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: the expected cost savings, synergies and other financial benefits from acquisition or disposition transactions might not be realized within the expected time frames or at all and costs or difficulties relating to integration matters might be greater than expected; changes in economic conditions; legislative changes; changes in policies by regulatory agencies; fluctuations in interest rates; the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; the Company's ability to access cost-effective funding; fluctuations in real estate values and both residential and commercial real estate market conditions; demand for loans and deposits in the Company's market area; competition; changes in management's business strategies; changes in the regulatory and tax environments in which the Company operates, including the impact of the "Tax Cuts and Jobs Act" (the "TCA") on the Company's deferred tax asset, and the anticipated impact of the TCA on the Company's future earnings.

The factors listed above could materially affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Company does not undertake - and specifically declines any obligation - to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. When considering forward-looking statements, you should keep in mind these risks and uncertainties. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made.

FINANCIAL HIGHLIGHTS (unaudited)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	(In thousands, except for per share data)				
Quarter-To-Date					
Net (Loss) Income	$ (839)	$ 3,182	$ 1,501	$ 1,416	$ 1,902
Diluted (Loss) Earnings Per Common Share	$ (0.12)	$ 0.44	$ 0.23	$ 0.26	$ 0.35
Return On Average Assets (ROA)	-0.27%	1.08%	0.60%	0.83%	1.10%
Return On Average Equity (ROE)	-2.88%	11.99%	6.24%	7.17%	9.82%
Efficiency Ratio	71.04%	59.39%	74.23%	64.24%	55.21%
Net Interest Margin	3.96%	4.31%	4.08%	4.02%	4.16%
Net Charge-Offs/(Recoveries)	$ (23)	$ 58	$ (6)	$ (7)	$ -
Net Charge-Offs/(Recoveries) To Average Loans	0.00%	0.01%	0.00%	0.00%	0.00%
Year-To-Date					
Net Income	$ 5,260	$ 6,099	$ 2,918	$ 1,416	$ 5,912
Diluted Earnings Per Common Share	$ 0.81	$ 0.93	$ 0.49	$ 0.26	$ 1.09
Return On Average Assets (ROA)	0.51%	0.85%	0.00%	0.00%	0.91%
Return On Average Equity (ROE)	5.28%	8.63%	0.01%	0.01%	7.88%
Efficiency Ratio	67.34%	66.08%	70.32%	64.24%	60.78%
Net Interest Margin	4.14%	4.09%	3.99%	4.02%	4.25%
Net Charge-Offs/(Recoveries)	$ 22	$ 45	$ (13)	$ (7)	$ 673
Net Charge-Offs/(Recoveries) To Average Loans	0.00%	0.01%	0.00%	0.00%	0.14%
At Period End					
Total Assets	$ 1,245,794	$ 1,185,521	$ 1,155,943	$ 697,398	$ 675,299
Loans:					
Real Estate	$ 780,354	$ 753,227	$ 761,121	$ 461,299	$ 440,261
Non-real estate	119,712	106,816	107,093	73,571	72,311
Loans Held for Sale	3,245	1,490	-	4,383	-
Non-accrual loans	179	187	368	992	1,090
Mark to market on acquired loans	(8,697)	(7,864)	(9,261)	(4,717)	(5,312)
Total Loans	$ 894,793	$ 853,857	$ 859,320	$ 535,528	$ 508,350
Classified Assets (Graded Substandard and Doubtful)	$ 7,017	$ 6,639	$ 7,164	$ 8,645	$ 8,376
Total Accruing Loans 30-89 Days Past Due	1,875	-	654	-	625
Loan Loss Reserve To Loans	0.47%	0.48%	0.47%	0.73%	0.74%
Loan Loss Reserve to Non-accrual loans	2352.28%	2184.39%	1107.95%	395.76%	346.33%
Non-Accrual Loans To Total Loans	0.02%	0.02%	0.04%	0.19%	0.21%
Texas Ratio	0.15%	0.25%	0.59%	2.45%	2.28%
Total Deposits	$ 1,104,305	$ 1,054,483	$ 1,031,781	$ 609,953	$ 590,759
Loan-To-Deposit Ratio	81.03%	80.97%	83.29%	87.80%	86.05%
Stockholders' Equity	$ 118,635	$ 107,395	$ 104,018	$ 79,580	$ 78,063
Book Value Per Share	$ 15.82	$ 15.63	$ 15.17	$ 14.50	$ 14.26
Tangible Book Value Per Share	13.81	13.77	13.26	14.37	14.12
Tangible Common Equity To Tangible Assets	8.41%	8.74%	8.61%	11.32%	11.45%
Total Risk-Based Capital Ratio-Bank	12.94%	12.70%	12.15%	13.99%	14.18%
Full-Time Equivalent Employees	158	148	152	105	110

STATEMENT OF CONDITION (UNAUDITED)

(In thousands)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Assets					
Cash and due from banks	$ 249,853	$ 242,518	$ 201,182	$ 125,532	$ 128,684
Investments, including Bank Owned Life Insurance policies	68,234	66,328	61,895	24,691	26,393
Loans, net of allowance for loan losses and deferred fees	890,109	841,132	854,640	531,442	504,264
Bank premises and equipment, net	8,399	8,549	8,527	1,009	1,106
Core Deposit Premium	4,772	4,664	4,942	719	802
Goodwill	10,365	8,153	8,153	-	-
Interest receivable and other assets	14,062	14,176	16,604	14,005	14,048
Total assets	$ 1,245,794	$ 1,185,521	$ 1,155,943	$ 697,398	$ 675,299
Liabilities and Stockholders' Equity					
Liabilities					
Deposits					
Non-interest bearing	$ 327,309	$ 307,107	$ 311,522	$ 142,437	$ 128,697
Interest bearing					
MMA/NOW/SVG	405,952	387,663	376,953	125,059	128,971
Premium MM	142,238	154,742	146,784	178,198	171,947
Time Deposits	228,806	204,970	196,522	164,259	161,144
Total deposits	$ 1,104,305	$ 1,054,483	$ 1,031,781	$ 609,953	$ 590,759
Other borrowings	6,000	6,000	6,000	-	-
Trust Preferred Subordinated Debt Debentures, net	5,387	5,372	5,357	-	-
Interest Payable and other liabilities	11,467	12,271	8,788	7,865	6,478
Total liabilities	$ 1,127,159	$ 1,078,126	$ 1,051,925	$ 617,818	$ 597,236
Stockholders' Equity					
Common Stock, no par value	$ 81,594	$ 69,524	$ 69,394	$ 47,632	$ 46,371
Retained earnings	36,828	37,703	34,522	31,850	31,604
Accumulated other comprehensive income	213	167	102	97	88
Total stockholders' equity	118,635	107,395	104,018	79,580	78,063
Total liabilities and stockholders' equity	$ 1,245,795	$ 1,185,521	$ 1,155,943	$ 697,398	$ 675,299

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except for per share data)

	Three months ended December 31, 2017	Three months ended December 31, 2016	Years Ended December 31, 2017	Years Ended December 31, 2016
Interest income				
Interest Income - Non RE	$ 1,488	$ 838	$ 5,167	$ 3,542
Interest Income - RE	9,398	5,397	32,227	21,497
Interest on investment securities	194	230	602	809
Interest on Federal funds sold and other bank deposits	939	140	2,564	423
Mark to market accretion and FAS 91 Fee amortization	983	1,291	3,693	3,354
Total interest income	$ 13,003	$ 7,896	$ 44,253	$ 29,625
Interest expense				
Interest on transaction accounts	475	463	1,851	1,583
Interest on time deposits	555	449	2,057	1,491
Interest on borrowings	152	-	404	-
Total interest expense	$ 1,182	$ 913	$ 4,312	$ 3,074
Net interest income	11,820	6,983	39,941	26,551
Provision for loan losses	117	(19)	462	598
Net interest income after provision for loan losses	$ 11,703	$ 7,002	$ 39,479	$ 25,953
Non-interest income				
Loan Fee Income	$ 106	$ 79	$ 566	$ 331
Service Charge Income	90	58	275	228
Other Fees & Service Charges	338	100	974	379
Gain on Sale of loans	461	-	2,173	-
Other Income	423	134	806	420
Total non-interest income	$ 1,419	$ 371	$ 4,794	$ 1,358
Non-interest expense				
Salaries and Benefits	5,303	2,527	17,018	10,611
Occupancy	936	547	3,227	2,147
Professional	468	171	1,217	773
Insurance	152	36	508	349
Data processing	1,487	355	4,735	1,386
Office	367	171	1,178	671
Marketing	183	87	601	270
Core deposit premium amortization	277	83	850	398
Net Loan	87	18	306	119
Other Miscellaneous	145	67	484	240
Total non-interest expense	$ 9,405	$ 4,060	$ 30,124	$ 16,963
Income before provision for income taxes	3,717	3,313	14,149	10,348
Provision for income taxes	4,556	1,412	8,889	4,436
Net (loss) income	$ (839)	$ 1,902	$ 5,260	$ 5,912
Net (loss) income per common share:				
Basic	$ (0.12)	$ 0.35	$ 0.82	$ 1.10
Diluted	$ (0.12)	$ 0.35	$ 0.81	$ 1.09
Weighted average shares used to compute net (loss) income per common share:				
Basic	7,198,024	5,403,024	6,444,475	5,392,597
Diluted	7,214,755	5,437,679	6,484,263	5,433,719
Comprehensive income:				
Net (loss) income	$ (839)	$ 1,902	$ 5,260	$ 5,912
Other comprehensive income				
Change in net unrealized gain (loss) on available-for-sale securities	19	(136)	152	(57)
Deferred tax expense (benefit)	(8)	60	(63)	24
Other comprehensive income (loss), net of tax	11	(76)	89	(33)
Comprehensive (loss) income	$ (828)	$ 1,826	$ 5,349	$ 5,879

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Source: BayCom Corp