



PRESIDIO BANK

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PRESS RELEASE

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FOR IMMEDIATE RELEASE:

PRESIDIO BANK REPORTS RESULTS FOR THE FIRST QUARTER OF 2017

San Francisco, CA, April 26, 2017: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the first quarter ended March 31, 2017 with Net Income of \$1.2 million, up 28% from the first quarter of 2016. Total Assets were \$692 million at March 31, 2017, up 6% from March 31, 2016, but down 7.4% from the record level achieved at December 31, 2016.

“Presidio Bank continues to show strong year over year income growth,” said Presidio Bank President and CEO Steve Heitel. “While the Bank showed only modest loan growth, which is traditional for the first quarter of the year, I am particularly encouraged by our loan originations, which were double the total recorded in the first quarter of 2016. This sets the Bank up well for loan growth in future quarters.”

Financial Highlights

- Total Loans Outstanding were up \$5 million from the quarter ending December 31, 2016 and up \$55 million from March 31, 2016 or 10.5%. New Loan Originations were strong with New Loan Commitments of \$70 million in the first quarter of 2017, almost matching the \$73 million achieved in the fourth quarter of 2016 and up from \$35 million in the first quarter of 2016.
- Total Deposits decreased by \$55 million from the quarter ended December 31, 2016. During the third and fourth quarters of 2016, the Bank experienced significant growth in temporary deposits, which ran off as expected in the first quarter of 2017. This combined with normal first quarter deposit attrition resulted in the decline in deposit balances. Deposits are up \$32 million over the first quarter of 2016. Non-Interest Bearing Demand Deposits represent 38% of total deposits at March 31, 2017.
- Net Interest Income of \$6.4 million in the first quarter of 2017 was up 2.4% from the fourth quarter of 2016 and up 8% from the first quarter of 2016. This increase is due largely to higher average loan balances. The quarter over quarter increase would have been higher except for two fewer days in the first quarter of 2017 and a one-time special dividend on Federal Home Loan Bank Stock paid in the fourth quarter of 2016. Net Interest Margin increased during the quarter to 3.74% from 3.45% in the fourth quarter of 2016, due primarily to lower levels of lower yielding Liquid Assets carried during the quarter along with the impact of the two interest rate increases by the Federal Reserve, which increased yield on variable rate loans and on cash invested overnight with the Federal Reserve. The Bank’s balance sheet is asset sensitive and the Bank will continue to benefit if future rate increases occur.
- Operating Expenses increased by 10% over the fourth quarter of 2016. In addition to the normal seasonal increase in Employer Paid Taxes and Employee Benefits expense, the Bank incurred \$247 thousand in Loan Loss Provision Expense on Undisbursed Loans. This expense was due primarily to a \$24 million increase in unfunded construction loans during the quarter. At March 31, 2017, the Bank had an unusually high \$49



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million in unfunded construction loans. It is anticipated that the majority of these loans will fund during 2017. Without the increase in provision expense, Operating Expenses increased a normalized 4% during the quarter. Despite the large increase in Loan Loss Provision Expense on Undisbursed Loans, Operating Expenses increased only 2.9% from the first quarter of 2016. Compensation and Benefit expense declined 3.5% from the first quarter of 2016 as that quarter contained some one-time, extraordinary compensation expenses. Net Income was flat as compared to the quarter ended December 31, 2016 but was up 28% from the first quarter of 2016.

- Credit Quality is stable and strong with a Classified to Capital Ratio of 5.8% at March 31, 2017. The number of classified relationships remains at five. The Allowance for Loan Losses covers Non-Performing Loans by more than six times.
- Diluted Earnings per Common Share were \$0.19 for the quarter, unchanged from the quarter ended December 31, 2016 but increased \$0.03 from the first quarter of 2016.
- Book Value per Share increased to \$11.50 per share at March 31, 2017 from \$11.31 per share at December 31, 2016 and \$10.75 per share at March 31, 2016.

“Presidio Bank continues to win business and expand its client base in an increasingly competitive environment,” said Presidio Bank Chairman and Founder, Jim Woolwine. “Our value proposition of customized solutions, access to decision makers and high touch personal service resonates with business owners, real estate professionals, not-for-profit organizations and financially sophisticated individuals.”

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1st Quarter 2017 Financial Results

(Dollars in thousands, except per share amounts, unaudited)

Condensed Balance Sheet

	3/31/2017	12/31/2016	Change	3/31/2016	Change
Cash and due from banks	6,239	6,035	3.4%	12,723	-51.0%
Interest bearing due from banks	88,944	150,159	-40.8%	96,867	-8.2%
Total cash and equivalents	95,183	156,194	-39.1%	109,590	-13.1%
Investment securities	12,893	13,249	-2.7%	14,548	-11.4%
Loans, net of fees	578,033	572,780	0.9%	522,942	10.5%
Allowance for loan losses	(6,868)	(6,868)	0.0%	(6,301)	9.0%
Net loans	571,165	565,912	0.9%	516,641	10.6%
Premises and equipment, net	1,005	1,020	-1.5%	1,155	-13.0%
Other assets and interest receivable	11,610	11,128	4.3%	11,274	3.0%
Total assets	691,856	747,503	-7.4%	653,208	5.9%
Non-interest-bearing demand	233,059	257,757	-9.6%	210,872	10.5%
Interest bearing transaction	98,560	99,604	-1.0%	104,147	-5.4%
Money market and savings accounts	228,801	259,711	-11.9%	220,936	3.6%
Time deposits	48,016	46,412	3.5%	40,827	17.6%
Total deposits	608,436	663,484	-8.3%	576,782	5.5%
Borrowings	9,860	9,845	0.2%	9,773	0.9%
Other liabilities	4,233	6,812	-37.9%	6,629	-36.1%
Total liabilities	622,529	680,140	-8.5%	593,184	4.9%
Common stock	64,801	64,122	1.1%	60,248	7.6%
Retained earnings	4,581	3,377	35.7%	(160)	2963.1%
Other comprehensive income	(55)	(137)	59.9%	(64)	14.1%
Total shareholder's equity	69,327	67,362	2.9%	60,024	15.5%
Total liabilities and equity	691,856	747,503	-7.4%	653,208	5.9%

Book value per share

Book value per share	\$ 11.50	\$ 11.31	\$ 10.75
Total shares outstanding EOP	6,030	5,957	5,581

Capital Ratios

Tier 1 leverage ratio	9.7%	9.1%	9.5%
Tier 1 risk-based capital ratio	10.1%	10.1%	9.8%
Tangible common risk-based ratio	10.1%	10.1%	9.8%
Total risk-based capital ratio	12.6%	12.7%	12.5%

Condensed Statement of Income

(Dollars in thousands, except per share amounts, unaudited)

	For the three months ended				
	3/31/2017	12/31/2016	Change Fav./ (Unfav.)	3/31/2016	Change Fav./ (Unfav.)
Interest income	6,853	6,736	1.7%	6,372	7.5%
Interest expense	422	455	7.3%	413	(2.2%)
Net interest income	6,431	6,281	2.4%	5,959	7.9%
Provision for loan loss	-	226	NM	-	NM
Net interest income after provision	6,431	6,055	6.2%	5,959	7.9%
Other income	202	189	6.9%	171	18.1%
Compensation and benefit expenses	2,938	2,657	(10.6%)	3,044	3.5%
Occupancy and equipment expenses	520	547	4.9%	516	(0.8%)
Data processing	306	340	10.0%	323	5.3%
Professional and legal	139	121	(14.9%)	136	(2.2%)
Other operating expenses	801	612	(30.9%)	553	(44.8%)
Total operating expenses	4,704	4,277	(10.0%)	4,572	(2.9%)
Net income before taxes	1,929	1,967	(1.9%)	1,558	23.8%
Income taxes	725	763	5.0%	618	(17.3%)
Net income	1,204	1,204	0.0%	940	28.1%

Earnings Per Share

Basic earnings per share	\$ 0.20	\$ 0.20	\$ 0.17
Diluted earnings per share	\$ 0.19	\$ 0.19	\$ 0.16
Average shares outstanding	5,932	5,906	5,517
Average diluted shares	6,185	6,085	5,756

Performance Ratios

Return on average assets	0.69%	0.65%	0.59%
Return on average common equity	7.09%	7.15%	6.38%
Net interest margin	3.74%	3.45%	3.86%
Cost of funds	0.27%	0.27%	0.29%
Efficiency ratio	71.0%	66.1%	74.6%

Average Balances

Total assets	712,119	738,307	636,043
Earning assets	698,171	725,247	621,240
Total loans	567,792	537,641	522,422
Total deposits	628,228	655,149	558,000
Common equity	68,760	66,788	59,113

NM = Not Meaningful

Condensed Balance Sheet (5 Quarter Data)

(Dollars in thousands, except per share amounts, unaudited)

	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Cash and due from banks	6,239	6,035	6,743	9,430	12,723
Interest bearing due from banks	88,944	150,159	168,954	73,324	96,867
Total cash and equivalents	95,183	156,194	175,697	82,754	109,590
Investment securities	12,893	13,249	13,955	14,456	14,548
Loans, net of fees	578,033	572,780	542,867	544,577	522,942
Allowance for loan losses	(6,868)	(6,868)	(6,642)	(6,368)	(6,301)
Net loans	571,165	565,912	536,225	538,209	516,641
Premises and equipment, net	1,005	1,020	1,041	1,101	1,155
Other assets and interest receivable	11,610	11,128	10,952	11,264	11,274
Total assets	691,856	747,503	737,870	647,784	653,208
Non-interest-bearing demand	233,059	257,757	222,877	201,121	210,872
Interest bearing transaction	98,560	99,604	80,112	83,121	104,147
Money market and savings accounts	228,801	259,711	291,551	213,227	220,936
Time deposits	48,016	46,412	61,404	42,755	40,827
Total deposits	608,436	663,484	655,944	540,224	576,782
Borrowings	9,860	9,845	9,770	37,510	9,773
Other liabilities	4,233	6,812	6,531	6,272	6,629
Total liabilities	622,529	680,140	672,245	584,006	593,184
Common stock	64,801	64,122	63,492	62,807	60,248
Retained earnings	4,581	3,377	2,174	989	(160)
Other comprehensive income	(55)	(137)	(41)	(18)	(64)
Total shareholder's equity	69,327	67,362	65,625	63,778	60,024
Total liabilities and equity	691,856	747,503	737,870	647,784	653,208
Book value per share					
Book value per share	\$ 11.50	\$ 11.31	\$ 11.04	\$ 10.82	\$ 10.75
Total shares outstanding EOP	6,030	5,957	5,944	5,893	5,581
Capital Ratios					
Tier 1 leverage ratio	9.7%	9.1%	9.5%	9.8%	9.5%
Common equity tier 1 capital ratio	10.1%	10.1%	10.3%	10.1%	9.8%
Tier 1 risk-based capital ratio	12.6%	12.7%	10.3%	10.1%	9.8%
Total risk-based capital ratio	10.1%	10.1%	12.9%	12.8%	12.5%

Condensed Statement of Income (5 Quarter Data)
(Dollars in thousands, except per share amounts, unaudited)

	For the three months ended				
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Interest income	6,853	6,736	6,575	6,309	6,372
Interest expense	422	455	471	436	413
Net interest income	6,431	6,281	6,104	5,873	5,959
Provision for loan loss	-	226	274	67	-
Net interest income after provision	6,431	6,055	5,830	5,806	5,959
Other income	202	189	177	161	171
Compensation and benefit expenses	2,938	2,657	2,546	2,424	3,044
Occupancy and equipment expenses	520	547	531	531	516
Data processing	306	340	320	304	323
Professional and legal	139	121	142	141	136
Other operating expenses	801	612	548	593	553
Total operating expenses	4,704	4,277	4,087	3,993	4,572
Net income before taxes	1,929	1,967	1,920	1,974	1,558
Income taxes	725	763	736	825	618
Net income	1,204	1,204	1,184	1,149	940

Earnings Per Share

Basic earnings per share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.17
Diluted earnings per share	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.16
Average shares outstanding	5,932	5,906	5,906	5,673	5,517
Average diluted shares	6,185	6,085	6,076	5,882	5,756

Performance Ratios

Return on average assets	0.69%	0.65%	0.68%	0.71%	0.59%
Return on average common equity	7.09%	7.15%	7.22%	7.46%	6.38%
Net interest margin	3.74%	3.45%	3.59%	3.70%	3.86%
Cost of funds	0.27%	0.27%	0.29%	0.30%	0.29%
Efficiency ratio	71.0%	66.1%	65.1%	66.2%	74.6%

Average Balances

Total assets	712,119	738,307	694,088	653,042	636,043
Earning assets	698,171	725,247	679,353	638,560	621,240
Total loans	567,792	537,641	547,748	531,739	522,422
Total deposits	628,228	655,149	603,428	568,518	558,000
Common equity	68,760	66,788	65,228	61,945	59,117

Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Commercial real estate	268,334	263,463	248,646	244,457	226,555
Land and construction	13,629	12,298	20,025	38,714	47,960
Commercial	176,073	180,412	161,783	150,613	145,127
Personal	30,992	31,352	31,411	35,376	30,465
Residential	27,077	30,510	30,977	26,852	25,013
Multifamily	62,898	55,593	50,832	49,379	48,659
Deferred loan fees	(970)	(848)	(806)	(813)	(837)
Loans	578,033	572,779	542,867	544,577	522,942
Allowance for loan losses	(6,868)	(6,868)	(6,642)	(6,368)	(6,301)
Net loans	571,165	565,912	536,225	538,209	516,641

Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

Non-Accrual Loans	1,042	1,055	1,068	1,074	1,094
Non-Performing Loans (NPL)	1,042	1,055	1,068	1,074	1,094
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	1,042	1,055	1,068	1,074	1,094
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	1,042	1,055	1,068	1,074	1,094
Quarterly Net Charge-offs	-	-	-	-	-
NPAs / Assets %	0.15%	0.14%	0.14%	0.17%	0.17%
NPAs & 90 Day / Assets %	0.15%	0.14%	0.14%	0.17%	0.17%
NPAs / Actual Loans and OREO %	0.15%	0.14%	0.14%	0.17%	0.17%
Loan Loss Reserves / Loans (%)	1.19%	1.20%	1.22%	1.17%	1.17%

Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	3/31/2017			3/31/2016		
	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income / Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 117,365	\$ 260	0.90 %	\$ 83,993	\$ 116	0.56 %
Federal Reserve and Federal Home Loan Bank stock	4,229	82	7.83	3,760	66	7.07
Investment Securities	8,785	33	1.50	11,065	38	1.39
Loans: (2)						
Commercial	166,682	1,942	4.72	150,622	1,845	4.93
Land and Construction	13,628	199	5.94	44,929	583	5.21
Commercial Real Estate	268,000	3,043	4.61	224,565	2,620	4.69
Residential	27,735	301	4.40	27,707	289	4.20
Multifamily	59,453	675	4.60	44,933	520	4.65
Personal	32,294	318	4.00	29,667	295	4.00
Total Loans	567,792	6,478	4.63	522,422	6,152	4.74
Total Earning Assets	698,171	6,853	3.98	621,240	6,372	4.13
Allowance for loan losses	(6,868)			(6,305)		
Cash and cash equivalents	9,234			9,328		
Other assets	11,582			11,397		
Total Assets	\$ 712,119			\$ 635,661		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 101,019	\$ 44	0.18 %	\$ 82,817	\$ 42	0.21 %
Money market deposits	234,129	115	0.20	218,945	123	0.23
Savings deposits	3,519	1	0.09	3,149	1	0.13
Certificates and other time deposits	46,494	51	0.45	40,231	34	0.34
Total Interest-bearing Deposits	385,162	211	0.22	345,142	200	0.23
Borrowings	9,786	211	8.74	11,018	212	7.75
Total Interest-bearing Liabilities	394,948	422	0.43	356,161	413	0.47
Noninterest-bearing deposits	243,067			212,857		
Other liabilities	5,344			7,530		
Total Liabilities	643,358			576,548		
Stockholders' Equity	68,760			59,113		
Total Liabilities and Stockholders' Equity	\$ 712,119			\$ 635,661		
Net Interest Income		\$ 6,431			\$ 5,959	
Net Interest Margin			3.74 %			3.86 %
Cost of funds			0.27 %			0.29 %

About Presidio Bank

Presidio Bank provides business banking services to small and mid-size businesses, including professional service firms, real estate developers and investors, and not-for-profit organizations, and to their owners who desire personalized, responsive service with access to local decision makers. Presidio Bank offers clients the resources of a large bank combined with the personalized services of a neighborhood bank. Presidio Bank is headquartered in San Francisco, California and currently operates five banking offices in San Francisco, Walnut Creek, San Rafael, San Mateo and Palo Alto. More information is available at www.presidiobank.com. Presidio Bank is a member of FDIC and an Equal Housing Lender.

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This press release contains certain forward-looking statements that involve risk and uncertainties. These statements are identifiable by use of the words "believe," "expect," "intend," "anticipate," "plan," "estimate," "project," or similar expressions. The risks and uncertainties that may affect the operations, performance, development, growth projections and results of Presidio Bank's business include, but are not limited to, the growth of the economy, interest rate movements, timely development by Presidio Bank of technology enhancements for its products and operating systems, the impact of competitive products, services and pricing, client-based requirements, Congressional legislation, changes in regulatory or generally accepted accounting principles and similar matters. Readers are cautioned not to place undue reliance on forward-looking statements which are subject to influence by the named risk factors and unanticipated future events. Actual results, accordingly, may differ materially from management expectations.