



# PRESIDIO BANK

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## PRESS RELEASE

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**FOR IMMEDIATE RELEASE:**

## PRESIDIO BANK REPORTS RESULTS FOR THE FIRST QUARTER OF 2018

San Francisco, CA, April 25, 2018: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the first quarter ended March 31, 2018 with Net Income of \$2.2 million, up \$1.6 million from the fourth quarter of 2017 and up \$1 million (85%) from the first quarter of 2017. The fourth quarter of 2017 included a \$1.5 million revaluation of Deferred Tax Assets and Low Income Housing Investments due to tax reform legislation. Net Income in the first quarter of 2018 benefited from a lower Federal Income Tax rate which resulted in a savings of approximately \$330 thousand. Total Assets were \$850 million at March 31, 2018, up 7% from December 31, 2017. Both Total Loans and Total Deposits grew to record high levels during the quarter.

“We were pleased to achieve such strong growth in the traditionally slow first quarter of the year,” said Presidio Bank President and CEO Steve Heitel. “In addition, our Net Interest Margin continues to expand resulting in a solid year over year increase in profitability.”

### Financial Highlights

- Total Loans Outstanding were up \$24 million from the quarter ending December 31, 2017 and up \$72 million from March 31, 2017 or 12%. New Loan Originations were strong at \$80 million up from \$69 million in the fourth quarter of 2017. Loan growth was centered in Commercial Real Estate, \$12 million and Land and Construction, \$9 million. Commercial and Industrial loans were also up modestly.
- Total Deposits increased by \$54 million from the quarter ended December 31, 2017 and increased by \$150 million from March 31, 2017 or 25%. This type of deposit growth is unusual for the first quarter of the year when the Bank tends to see modest growth or even net outflows. While the Bank continues to add new deposit relationships, a significant portion of the growth in the first quarter was transactional in nature and will likely normalize during the next two quarters.
- Net Interest Income of \$8 million in the first quarter of 2018 was up 4% from the fourth quarter of 2017 and up 26% from the first quarter of 2017. This increase is due to higher average loan balances, increased loan yields, and increased interest rates on liquid assets invested by the Bank. Net Interest Margin increased during the quarter to 4.27% from 4.11% in the fourth quarter of 2017 due to higher Loan Yields and flat Cost of Funds.
- Operating Expenses increased by 13% over the fourth quarter of 2017. This increase was largely due to the seasonal increase in Employer Paid Taxes and Employee Benefits Expense along with an increase in the Loan Loss Provision for Unfunded Loans as a result of growth in unfunded construction loans during the quarter. Operating Expenses increased 11% over the first quarter of 2017 due to growth related increases in Compensation and Benefits, higher occupancy costs due to the lease and leasehold improvements on our new Walnut Creek facility and higher data processing costs. The Bank’s efficiency ratio improved from 71% in the first quarter of 2017 to 62% in the first quarter of 2018.

- Year-over-year revenue growth is 27% while year-over-year expense growth is 11%.
- Credit Quality remains stable and strong with a Classified to Capital Ratio of 3.4% at March 31, 2018. The Loan Loss Provision Expense for the first quarter was \$159 thousand driven by growth in the loan portfolio. Total Criticized and Classified Loans are flat from December 31, 2017 and represents only 3% of Loan Commitments and 4% of Loans Outstanding at March 31, 2018. The Bank has no Non-Performing Loans.
- Diluted Earnings per Common Share were \$0.34 for the quarter, up from \$0.09 in the fourth quarter of 2017 and up from \$0.19 in the first quarter of 2017.
- Book Value per Share increased to \$12.68 per share at March 31, 2018 from \$12.29 per share at December 31, 2017 and \$11.50 per share at March 31, 2017.

“While we are proud of our financial results, we are equally proud of our commitment to giving back to the communities we serve as evidenced by our Outstanding rating in Community Reinvestment and our perennial inclusion on the San Francisco Business Times list of top corporate philanthropists,” said Presidio Bank Chairman and Founder, Jim Woolwine.”

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## 1<sup>st</sup> Quarter 2018 Financial Results

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

### Condensed Balance Sheet

	3/31/2018	12/31/2017	Change	3/31/2017	Change
Cash and due from banks	14,682	7,613	92.9%	6,239	135.3%
Interest bearing due from banks	154,434	129,952	18.8%	88,944	73.6%
Total cash and equivalents	169,116	137,565	22.9%	95,183	77.7%
Investment securities	11,810	12,313	(4.1%)	12,893	(8.4%)
Loans, net of fees	649,994	626,282	3.8%	578,033	12.4%
Allowance for loan losses	(7,325)	(7,166)	(2.2%)	(6,868)	(6.7%)
Net loans	642,669	619,116	3.8%	571,165	12.5%
Premises and equipment, net	2,537	2,627	(3.5%)	1,005	152.4%
Other assets and interest receivable	23,796	22,237	7.0%	11,610	105.0%
Total assets	849,928	793,858	7.1%	691,856	22.8%
Non-interest-bearing demand	337,201	295,070	14.3%	233,059	44.7%
Interest bearing transaction	108,399	120,109	(9.7%)	98,560	10.0%
Money market and savings accounts	262,503	238,706	10.0%	228,801	14.7%
Time deposits	50,082	50,269	(0.4%)	48,016	4.3%
Total deposits	758,185	704,154	7.7%	608,436	24.6%
Borrowings	10,059	10,174	(1.1%)	9,860	2.0%
Other liabilities	4,466	4,767	(6.3%)	4,233	5.5%
Total liabilities	772,710	719,095	7.5%	622,529	24.1%
Common stock	66,241	65,960	0.4%	64,801	2.2%
Retained earnings	11,079	8,854	25.1%	4,581	141.8%
Other comprehensive income	(102)	(51)	(98.3%)	(55)	(85.4%)
Total shareholder's equity	77,218	74,763	3.3%	69,327	11.4%
Total liabilities and equity	849,928	793,858	7.1%	691,856	22.8%

### Book value per share

Book value per share	\$ 12.68	\$ 12.29	\$ 11.50
Total shares outstanding EOP	6,090	6,084	6,030

### Capital Ratios

Tier 1 leverage ratio	9.7%	9.7%	9.7%
Tier 1 risk-based capital ratio	9.5%	9.8%	10.1%
Tangible common risk-based ratio	9.5%	9.8%	10.1%
Total risk-based capital ratio	11.7%	12.1%	12.6%

**Condensed Statement of Income**
*(Dollars in thousands, except per share amounts, unaudited)*

	For the three months ended				
	3/31/2018	12/31/2017	Change Fav./ (Unfav.)	3/31/2017	Change Fav./ (Unfav.)
Interest income	8,570	8,236	4.1%	6,853	25.1%
Interest expense	487	483	(1.0%)	422	(15.5%)
Net interest income	8,083	7,753	4.2%	6,431	25.7%
Provision for loan loss	159	-	NM	-	NM
Net interest income after provision	7,924	7,753	2.2%	6,431	23.2%
Other income	320	287	11.3%	202	58.2%
Compensation and benefit expenses	3,283	2,814	(16.7%)	2,938	(11.8%)
Occupancy and equipment expenses	616	617	0.1%	520	(18.5%)
Data processing	385	388	0.9%	306	(25.7%)
Professional and legal	147	155	5.0%	139	(5.8%)
Other operating expenses	777	627	(23.9%)	801	3.0%
Total operating expenses	5,208	4,601	(13.2%)	4,704	(10.7%)
Net income before taxes	3,036	3,439	(11.7%)	1,929	57.4%
Income taxes	811	2,838	71.4%	725	(11.9%)
Net income	2,225	601	270.0%	1,204	84.8%

**Earnings Per Share**

Basic earnings per share	\$ 0.36	\$ 0.10	\$ 0.20
Diluted earnings per share	\$ 0.34	\$ 0.09	\$ 0.19
Average shares outstanding	6,025	6,009	5,932
Average diluted shares	6,398	6,328	6,185

**Performance Ratios**

Return on average assets	1.14%	0.32%	0.69%
Return on average common equity	11.78%	3.25%	7.09%
Net interest margin	4.27%	4.11%	3.74%
Cost of funds	0.28%	0.28%	0.27%
Efficiency ratio	62.1%	57.4%	71.0%

**Average Balances**

Total assets	794,442	774,015	712,119
Earning assets	768,150	747,679	698,171
Total loans	635,039	608,584	567,792
Total deposits	703,081	684,233	628,228
Common equity	76,591	75,531	68,760

*NM = Not Meaningful*

## Condensed Balance Sheet (5 Quarter Data)

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

	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017
Cash and due from banks	14,682	7,613	10,677	9,789	6,239
Interest bearing due from banks	154,434	129,952	126,277	101,532	88,944
Total cash and equivalents	169,116	137,565	136,954	111,321	95,183
Investment securities	11,810	12,313	12,801	12,736	12,893
Loans, net of fees	649,994	626,282	617,269	603,689	578,033
Allowance for loan losses	(7,325)	(7,166)	(7,166)	(7,014)	(6,868)
Net loans	642,669	619,116	610,103	596,675	571,165
Premises and equipment, net	2,537	2,627	2,452	1,335	1,005
Other assets and interest receivable	23,796	22,237	23,312	24,159	11,610
Total assets	849,928	793,858	785,622	746,226	691,856
Non-interest-bearing demand	337,201	295,070	304,726	250,344	233,059
Interest bearing transaction	108,399	120,109	98,019	103,727	98,560
Money market and savings accounts	262,503	238,706	247,857	258,564	228,801
Time deposits	50,082	50,269	46,871	47,293	48,016
Total deposits	758,185	704,154	697,473	659,928	608,436
Borrowings	10,059	10,174	10,346	10,152	9,860
Other liabilities	4,466	4,767	4,001	4,837	4,233
Total liabilities	772,710	719,095	711,820	674,917	622,529
Common stock	66,241	65,960	65,585	65,185	64,801
Retained earnings	11,079	8,854	8,252	6,173	4,581
Other comprehensive income	(102)	(51)	(35)	(49)	(55)
Total shareholder's equity	77,218	74,763	73,802	71,309	69,327
Total liabilities and equity	849,928	793,858	785,622	746,226	691,856

### Book value per share

Book value per share	\$ 12.68	\$ 12.29	\$ 12.15	\$ 11.75	\$ 11.50
Total shares outstanding EOP	6,090	6,084	6,074	6,069	6,030

### Capital Ratios

Tier 1 leverage ratio	9.7%	9.7%	9.9%	10.0%	9.7%
Common equity tier 1 capital ratio	9.5%	9.8%	9.8%	9.6%	10.1%
Tier 1 risk-based capital ratio	9.5%	9.8%	9.8%	9.6%	10.1%
Total risk-based capital ratio	11.7%	12.1%	12.2%	12.0%	12.6%

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

	For the three months ended				
	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017
Interest income	8,570	8,236	8,362	7,349	6,853
Interest expense	487	483	472	442	422
Net interest income	8,083	7,753	7,890	6,907	6,431
Provision for loan loss	159	-	100	198	-
Net interest income after provision	7,924	7,753	7,790	6,709	6,431
Other income	320	287	268	191	202
Compensation and benefit expenses	3,283	2,814	3,036	2,736	2,938
Occupancy and equipment expenses	616	617	628	518	520
Data processing	385	388	346	326	306
Professional and legal	147	155	77	203	139
Other operating expenses	777	627	533	586	801
Total operating expenses	5,208	4,601	4,620	4,369	4,704
Net income before taxes	3,036	3,439	3,438	2,531	1,929
Income taxes	811	2,838	1,358	939	725
Net income	2,225	601	2,080	1,592	1,204

**Earnings Per Share**

Basic earnings per share	\$ 0.36	\$ 0.10	\$ 0.33	\$ 0.27	\$ 0.20
Diluted earnings per share	\$ 0.34	\$ 0.09	\$ 0.32	\$ 0.26	\$ 0.19
Average shares outstanding	6,025	6,009	6,001	5,899	5,932
Average diluted shares	6,398	6,328	6,277	6,157	6,185

**Performance Ratios**

Return on average assets	1.14%	0.32%	1.10%	0.90%	0.69%
Return on average common equity	11.78%	3.25%	11.31%	9.03%	7.09%
Net interest margin	4.27%	4.11%	4.34%	3.98%	3.74%
Cost of funds	0.28%	0.28%	0.28%	0.28%	0.27%
Efficiency ratio	62.1%	57.4%	57.0%	61.6%	71.0%

**Average Balances**

Total assets	794,442	774,015	748,229	711,847	712,119
Earning assets	768,150	747,679	721,374	695,297	698,171
Total loans	635,039	608,584	612,493	588,980	567,792
Total deposits	703,081	684,233	660,790	627,004	628,228
Common equity	76,591	75,531	73,108	70,741	68,760

## Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017
Commercial real estate	283,238	271,346	268,357	275,189	268,334
Land and construction	54,088	44,714	39,599	22,657	13,629
Commercial	201,094	197,748	194,884	187,537	176,073
Personal	17,172	16,295	21,292	23,008	30,992
Residential	33,114	34,174	34,389	33,671	27,077
Multifamily	62,325	63,024	59,764	62,634	62,898
Deferred loan fees	(1,037)	(1,019)	(1,016)	(1,007)	(970)
Loans	649,994	626,282	617,269	603,689	578,033
Allowance for loan losses	(7,325)	(7,166)	(7,166)	(7,015)	(6,868)
Net loans	642,669	619,116	610,103	596,675	571,165

## Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017
Non-Accrual Loans	-	-	-	991	1,042
Non-Performing Loans (NPL)	-	-	-	991	1,042
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	-	-	-	991	1,042
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	-	-	-	991	1,042
Quarterly Net Charge-offs	-	-	(51)	51	-
NPAs / Assets %	0.00%	0.00%	0.00%	0.13%	0.15%
NPAs & 90 Day / Assets %	0.00%	0.00%	0.00%	0.13%	0.15%
NPAs / Actual Loans and OREO %	0.00%	0.00%	0.00%	0.13%	0.15%
Loan Loss Reserves / Loans (%)	1.13%	1.14%	1.16%	1.16%	1.19%

## Net Interest Income (Quarterly Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	3/31/2018			12/31/2017		
	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income / Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 121,072	\$ 501	1.68 %	\$ 126,532	\$ 375	1.18 %
Federal Reserve and Federal Home Loan Bank stock	4,655	77	6.70	4,644	77	6.56
Investment Securities	7,384	31	1.69	7,919	32	1.61
Loans: (2)						
Commercial	199,340	2,579	5.25	185,629	2,448	5.23
Land and Construction	45,791	772	6.83	42,055	655	6.18
Commercial Real Estate	278,540	3,317	4.83	267,166	3,334	4.95
Residential	32,592	412	5.12	33,500	414	4.90
Multifamily	62,715	708	4.58	62,002	712	4.56
Personal	16,061	173	4.37	18,232	189	4.12
Total Loans	635,039	7,961	5.08	608,584	7,752	5.05
Total Earning Assets	768,150	8,570	4.52	747,679	8,236	4.37
Allowance for loan losses	(7,219)			(7,166)		
Cash and cash equivalents	9,543			8,441		
Other assets	23,968			25,061		
<b>Total Assets</b>	<b>\$ 794,442</b>			<b>\$ 774,015</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 107,657	\$ 41	0.15 %	\$ 107,767	\$ 41	0.15 %
Money market deposits	236,876	138	0.24	241,802	143	0.23
Savings deposits	3,812	1	0.14	4,341	1	0.11
Certificates and other time deposits	50,230	96	0.78	49,965	87	0.69
Total Interest-bearing Deposits	398,575	276	0.28	403,875	272	0.27
Borrowings	10,088	211	8.48	10,161	211	8.24
Total Interest-bearing Liabilities	408,663	487	0.48	414,036	483	0.46
Noninterest-bearing deposits	304,506			280,358		
Other liabilities	4,682			4,090		
Total Liabilities	717,851			698,484		
Stockholders' Equity	76,591			75,531		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 794,442</b>			<b>\$ 774,015</b>		
<b>Net Interest Income</b>		<b>\$ 8,083</b>			<b>\$ 7,753</b>	
<b>Net Interest Margin</b>			<b>4.27 %</b>			<b>4.11 %</b>
<b>Cost of Funds</b>			<b>0.28 %</b>			<b>0.28 %</b>
<b>Cost of Deposits</b>			<b>0.16 %</b>			<b>0.16 %</b>



## Net Interest Income (Annual Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	3/31/2018			3/31/2017		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 121,072	\$ 501	1.68 %	\$ 117,365	\$ 260	0.90 %
Federal Reserve and Federal Home Loan Bank stock	4,655	77	6.70	4,229	82	7.83
Investment Securities	7,384	31	1.69	8,785	33	1.50
Loans: (2)						
Commercial	199,340	2,579	5.25	166,682	1,942	4.72
Land and Construction	45,791	772	6.83	13,628	199	5.94
Commercial Real Estate	278,540	3,317	4.83	268,000	3,043	4.61
Residential	32,592	412	5.12	27,735	301	4.40
Multifamily	62,715	708	4.58	59,453	675	4.60
Personal	16,061	173	4.37	32,294	318	4.00
Total Loans	635,039	7,961	5.08	567,792	6,478	4.63
Total Earning Assets	768,150	8,570	4.52	698,171	6,853	3.98
Allowance for loan losses	(7,219)			(6,868)		
Cash and cash equivalents	9,543			9,234		
Other assets	23,968			11,582		
<b>Total Assets</b>	<b>\$ 794,442</b>			<b>\$ 712,119</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 107,657	\$ 41	0.15 %	\$ 101,019	\$ 44	0.18 %
Money market deposits	236,876	138	0.24	234,129	115	0.20
Savings deposits	3,812	1	0.14	3,519	1	0.09
Certificates and other time deposits	50,230	96	0.78	46,494	51	0.45
Total Interest-bearing Deposits	398,575	276	0.28	385,162	211	0.22
Borrowings	10,088	211	8.48	9,786	211	8.74
Total Interest-bearing Liabilities	408,663	487	0.48	394,948	422	0.43
Noninterest-bearing deposits	304,506			243,067		
Other liabilities	4,682			5,344		
Total Liabilities	717,851			643,358		
Stockholders' Equity	76,591			68,760		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 794,442</b>			<b>\$ 712,119</b>		
<b>Net Interest Income</b>		<b>\$ 8,083</b>			<b>\$ 6,431</b>	
<b>Net Interest Margin</b>			<b>4.27 %</b>			<b>3.74 %</b>
<b>Cost of Funds</b>			<b>0.28 %</b>			<b>0.27 %</b>
<b>Cost of Deposits</b>			<b>0.16 %</b>			<b>0.14 %</b>

**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](http://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.*