



# PRESIDIO BANK

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## PRESS RELEASE

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**FOR IMMEDIATE RELEASE:**

## PRESIDIO BANK REPORTS RESULTS FOR THIRD QUARTER 2015

### Total Assets Exceed \$600 Million for the first time

San Francisco, CA, October 22, 2015: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the third quarter ended September 30, 2015 with net income for the quarter of \$687 thousand, essentially flat from the \$696 thousand earned in the quarter ended June 30, 2015. In addition, Total Assets ended the quarter at \$614 million, eclipsing the \$600 Million total for the first time while Total Loans and Total Deposits also achieved record high levels.

“We are pleased to report another quarter of strong organic growth,” said Presidio Bank President and CEO Steve Heitel. “While a loan growth related increase in the loan loss reserve resulted in flat earnings, the increase in earning assets achieved during the quarter positions the Bank well for earnings growth in the fourth quarter of 2015 and beyond.”

### Financial Highlights

- Total Loans outstanding were up \$29 million, 7% from the quarter ended June 30, 2015, and increased \$74 million or 18% over the third quarter of 2014. Loans outstanding now total a record high of \$475 million. The outlook for continued loan growth in the fourth quarter remains positive.
- Total Deposits increased by \$18 million or 4% from the quarter ended June 30, 2015 and increased by \$84 million, 19% over the third quarter of 2014. Client deposits increased by \$24 million during the quarter while the Bank chose not to renew \$6 million in long-term wholesale deposits which matured in September. Non-Interest Bearing Demand Deposits were up 8% for the quarter and up 22% from the same quarter in 2014 and now account for 38% of Total Deposits.
- Net Interest Income of \$5.1 million in the third quarter was up 8.3% over the second quarter of 2015 and 7.8% over the quarter ended September 30, 2014. The third quarter of 2015 included \$210 thousand in interest expense on subordinated debt that was not incurred in the third quarter of 2014.
- Because of the substantial loan growth during the quarter, the Bank incurred \$422 thousand in Provision For Loan Loss Expense versus zero in both the quarter ended June 30, 2015 and the quarter ended September 30, 2014. It is expected that future loan growth will require similar Provision For Loan Loss Expense.
- Operating Expenses were flat from the quarter ended June 30, 2015 and were up 10% from the quarter ended September 30, 2014 primarily due to increased personnel and rent expense associated with the Bank’s San Mateo Office which opened in November 2014.
- Net Income applicable to Common Shareholders was \$532 thousand for the quarter, a decrease of \$9 thousand, 1.7% over the second quarter 2015 due exclusively to the Provision For Loan Loss Expense incurred in the third quarter of 2015.



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- Net Interest Margin increased 5 basis points from the quarter ended June 30, 2015 due to a higher proportion of loans in earning assets. Deposits cost and loan yields were essentially flat. Net Interest Margin is down 50 basis points from the quarter ended September 30, 2014, due to interest expense on the Bank's \$10 million Subordinated Notes not incurred in 2014 and higher levels of lower yielding liquid assets maintained in 2015.
- On September 29, 2015, the Bank redeemed the remaining \$6.8 million outstanding of Perpetual Preferred Shares at par. This will result in an annual savings on dividends of \$620 thousand.
- Credit quality remains strong with a classified Loan to Capital Ratio less than 5%. Non-Performing Loans totaled \$1.2 million at September 30, 2015 or 0.3% of total loans. The Allowance for Loan Losses of \$5.6 million covers Non-Performing Loans by more than four times.
- Diluted Earnings per Common Share were \$0.09 for the quarter compared to \$0.12 in the second quarter of 2015 and \$0.18 in the third quarter of 2014. As previously reported, the Bank raised \$12 million in a 1 million share rights offering which closed at the end of the second quarter of 2015.
- Book Value per Share increased to \$10.37 per share as of September 30 2015 from \$10.27 per share at June 30, 2015 and \$9.53 per share at September 30, 2014.

“On the heels of our very successful stock offering, I am particularly pleased to see the Bank put the new capital to work by growing loans,” said Presidio Bank Chairman and Founder, Jim Woolwine.

The Bank also announced that it has engaged BDO as its independent auditor for 2015, replacing Crowe Horwath LLP (“Crowe”). Crowe and a related predecessor firm had served the Bank since inception but informed the Board of Directors earlier in the year that it would not be independent relative to Presidio Bank in 2015. Because the Bank exceeded \$500 million in assets at the end of 2014, additional independence rules became applicable in 2015 related to the service of a retired Crowe partner on the Bank's Board of Directors for a portion of 2015. Crowe continues to provide tax services to the Bank.

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### 3<sup>rd</sup> Quarter 2015 Financial Results

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

#### Condensed Balance Sheet

	9/30/2015	6/30/2015	Change	9/30/2014	Change	12/31/2014	Change
Cash and due from banks	8,984	501	1693.2%	7,972	12.7%	5,621	59.8%
Interest bearing due from banks	108,898	126,275	-13.8%	84,612	28.7%	104,642	4.1%
Total cash and equivalents	117,882	126,776	-7.0%	92,584	27.3%	110,263	6.9%
Investment securities	14,203	14,191	0.1%	14,419	-1.5%	14,392	-1.3%
Loans, net of fees	475,466	446,068	6.6%	401,421	18.4%	415,741	14.4%
Allowance for loan losses	(5,594)	(5,172)	8.2%	(4,952)	13.0%	(5,172)	8.2%
Net loans	469,872	440,896	6.6%	396,469	18.5%	410,569	14.4%
Premises and equipment, net	1,313	1,381	-4.9%	1,090	20.5%	1,477	-11.1%
Other assets and interest receivable	11,222	11,064	1.4%	5,773	94.4%	6,052	85.4%
Total assets	614,492	594,308	3.4%	510,335	20.4%	542,753	13.2%
Non-interest-bearing demand	204,348	190,129	7.5%	167,411	22.1%	164,353	24.3%
Interest bearing transaction	69,142	67,403	2.6%	63,260	9.3%	69,646	-0.7%
Money market and savings accounts	216,602	207,446	4.4%	166,866	29.8%	196,050	10.5%
Time deposits	44,388	51,046	-13.0%	52,967	-16.2%	51,643	-14.0%
Total deposits	534,480	516,024	3.6%	450,504	18.6%	481,692	11.0%
Borrowings	10,160	10,284	-1.2%	10,048	NM	10,360	NM
Other liabilities	15,020	7,079	112.2%	2,913	415.6%	2,884	420.8%
Total liabilities	559,660	533,387	4.9%	463,465	20.8%	494,936	13.1%
Preferred stock	-	6,869	-100.0%	6,860	-100.0%	6,869	-100.0%
Common stock	56,789	56,375	0.7%	43,949	29.2%	44,207	28.5%
Retained earnings	(1,824)	(2,264)	19.4%	(3,797)	52.0%	(3,167)	42.4%
Other comprehensive income	(133)	(59)	-125.4%	(142)	6.3%	(92)	-44.6%
Total shareholder's equity	54,832	60,921	-10.0%	46,870	17.0%	47,817	14.7%
Total liabilities and equity	614,492	594,308	3.4%	510,335	20.4%	542,753	13.2%
<b>Book value per share</b>							
Book value per share	\$ 10.37	\$ 10.27		\$ 9.53		\$ 9.74	
Total shares outstanding EOP	5,288	5,261		4,199		4,203	
<b>Capital Ratios</b>							
Tier 1 leverage ratio	9.1%	10.6%		9.7%		8.8%	
Tier 1 risk-based capital ratio	9.7%	11.6%		10.1%		10.0%	
Total risk-based capital ratio	12.5%	14.6%		13.5%		13.3%	
Common equity tier 1 capital ratio	9.7%	10.3%		8.6%		8.5%	

## Condensed Statement of Income

	For the three months ended					For the nine months ended		
	9/30/2015	6/30/2015	Change Fav./ (Unfav.)	9/30/2014	Change Fav./ (Unfav.)	9/30/2015	9/30/2014	Change Fav./ (Unfav.)
Interest income	5,557	5,171	7.5%	4,963	12.0%	15,723	14,377	9.4%
Interest expense	421	428	1.6%	197	(113.7%)	1,253	586	(113.8%)
Net interest income	5,136	4,743	8.3%	4,766	7.8%	14,470	13,791	4.9%
Provision for loan loss	422	-	NM	-	NM	422	81	421.0%
Net interest income after provision	4,714	4,743	(0.6%)	4,766	(1.1%)	14,048	13,710	2.5%
Other income	191	183	4.4%	182	4.9%	543	534	1.7%
Compensation and benefit expenses	2,331	2,301	(1.3%)	2,165	(7.7%)	7,227	6,416	(12.6%)
Occupancy and equipment expenses	445	432	(3.0%)	393	(13.2%)	1,324	1,139	(16.2%)
Data processing	289	277	(4.3%)	261	(10.7%)	853	778	(9.6%)
Professional and legal	116	191	39.3%	88	(31.8%)	417	302	(38.1%)
Other operating expenses	557	542	(2.8%)	498	(11.8%)	1,610	1,486	(8.3%)
Total operating expenses	3,738	3,743	0.1%	3,405	(9.8%)	11,431	10,121	(12.9%)
Net income before taxes	1,167	1,183	(1.4%)	1,543	(24.4%)	3,160	4,123	(23.4%)
Income taxes	480	487	1.4%	648	25.9%	1,294	1,706	24.2%
Net income	687	696	(1.3%)	895	(23.2%)	1,866	2,417	(22.8%)
Preferred dividends	155	155	0.0%	89	(74.2%)	431	267	(61.4%)
Net income to common	532	541	(1.7%)	806	(34.0%)	1,435	2,150	(33.3%)
<b>Earnings Per Share</b>								
Basic earnings per share	\$ 0.10	\$ 0.13		\$ 0.19		\$ 0.30	\$ 0.50	
Diluted earnings per share	\$ 0.09	\$ 0.12		\$ 0.18		\$ 0.29	\$ 0.48	
Average shares outstanding	5,263	4,296		4,187		4,588	4,167	
Average diluted shares	5,515	4,526		4,404		4,827	4,347	
<b>Performance Ratios</b>								
Return on average assets	0.45%	0.48%		0.73%		0.44%	0.68%	
Return on average common equity	3.84%	5.00%		8.02%		4.11%	7.37%	
Net interest margin	3.45%	3.40%		3.96%		3.49%	3.97%	
Cost of funds	0.30%	0.32%		0.18%		0.32%	0.19%	
Efficiency ratio	70.2%	76.1%		68.8%		76.1%	70.7%	
<b>Average Balances</b>								
Total assets	606,634	576,058		484,699		567,737	471,881	
Earning assets	592,748	561,247		476,849		554,891	464,504	
Total loans	453,483	424,455		403,372		430,768	395,218	
Total deposits	527,295	508,336		426,552		498,136	414,256	
Common equity	54,963	43,205		39,892		46,638	38,991	

NM = Not Meaningful

**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.*