



# PRESIDIO BANK

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## PRESS RELEASE

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**FOR IMMEDIATE RELEASE:**

## PRESIDIO BANK REPORTS RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2016

Net Income up 76% for the year.

San Francisco, CA, January 26, 2017: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the fourth quarter and full year ended December 31, 2016 with Net Income for the year of \$4.5 million, up 76% from 2015. Net Income for the quarter was \$1.2 million, up 2% from the quarter ended September 30, 2016 and up 71% from the fourth quarter 2015. Total Assets were a record high \$748 million at December 31, 2016, up \$9 million from September 30, 2016 and up \$93 million or 14% from December 31, 2015.

“Presidio Bank had a solid year in 2016,” said Presidio Bank President and CEO Steve Heitel. “We are particularly pleased to have achieved our goal of growing revenues twice as fast as expenses which resulted in a significant improvement in our profitability metrics.”

### Financial Highlights

- Total Loans Outstanding were up \$30 million from the quarter ending September 30, 2016 and up \$49 million for the year or 9%. Growth in Commercial and Industrial Loans, Commercial Real Estate Loans and Multifamily Loans helped offset a \$30 million decline in Construction and Land Development Loans during the year. New Loan Originations were strong with New Loan Commitments of \$73 million in the fourth quarter, up from \$68 million in the third quarter and \$44 million in the second quarter.
- Total Deposits increased by \$8 million from the quarter ended September 30, 2016. The growth occurred in spite of a large money market deposit of \$75 million, which came in at the end of August and left as expected early in the fourth quarter. Total Deposits increased \$84 million for the year or 15%. Demand Deposits increased by \$35 million during the quarter and now total 39% of Total Deposits.
- Net Interest Income of \$6.3 million in the fourth quarter of 2016 was up 3% from the third quarter of 2016 and up 15% from the fourth quarter of 2015. For the year Net Interest Income is up 22% over 2015. Net Interest Margin decreased during the quarter to 3.45% from 3.59% in the third quarter of 2016, due primarily to higher levels of lower yielding Liquid Assets carried during the quarter. Loan Yields and Deposit Costs were essentially flat for the quarter. For the year, Net Interest Margin was 3.63% compared to 3.48% in 2015.
- Operating Expenses increased by 4.6% over the third quarter of 2016. As in the prior quarter, the majority of this increase came in Compensation and Benefits Expense and was related to growth-driven additions to staff and an increase to the accrual for Incentive Compensation due to higher than planned deposit balances. For the year, Operating Expenses were up 10% compared to Revenue growth of 21%. The Bank’s efficiency ratio improved from 74.7% in 2015 to 67.9% in 2016. Net Income Applicable to Common Shareholders was up 117% for the year, as 2015 included \$475,000 of dividends on preferred stock retired in September of 2015.



# PRESIDIO BANK

- Credit Quality remains strong with a Classified to Capital Ratio of 5.9% at December 31, 2016. The number of classified relationships totals five. The Allowance for Loans Losses increased by \$226 thousand to \$6.9 million due to the increase in Loans during the quarter along with an \$86 thousand impairment reserve on the Bank's one Non-Performing Loan. The Allowance for Loan Losses covers Non-Performing Loans by more than six times.
- Diluted Earnings per Common Share were \$0.20 for the quarter compared to \$0.19 in the third quarter of 2016 and \$0.13 in the fourth quarter of 2015. Diluted Earnings per Common Share were \$0.75 for the year, up from \$0.41 in 2015.
- Book Value per Share increased to \$11.31 per share at December 31, 2016 from \$11.04 per share at September 30, 2016 and \$10.51 per share at December 31, 2015.

"I am very proud of what our Presidio Bank team achieved in 2016 and am grateful to our clients, shareholders and friends for their continued support," said Presidio Bank Chairman and Founder, Jim Woolwine.

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**4<sup>th</sup> Quarter 2016 Financial Results**  
(Dollars in thousands, except per share amounts, unaudited)

**Condensed Balance Sheet**

	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>Change</u>	<u>12/31/2015</u>	<u>Change</u>
Cash and due from banks	6,035	6,743	-10.5%	6,175	-2.3%
Interest bearing due from banks	150,159	168,954	-11.1%	103,211	45.5%
Total cash and equivalents	156,194	175,697	-11.1%	109,386	42.8%
Investment securities	13,249	13,955	-5.1%	15,034	-11.9%
Loans, net of fees	572,780	542,867	5.5%	523,815	9.3%
Allowance for loan losses	(6,868)	(6,642)	3.4%	(6,301)	9.0%
Net loans	565,912	536,225	5.5%	517,514	9.4%
Premises and equipment, net	1,020	1,041	-2.0%	1,231	-17.1%
Other assets and interest receivable	11,127	10,952	1.6%	11,102	0.2%
Total assets	747,502	737,870	1.3%	654,267	14.3%
Non-interest-bearing demand	257,757	222,877	15.6%	210,998	22.2%
Interest bearing transaction	99,604	80,112	24.3%	78,359	27.1%
Money market and savings accounts	259,710	291,551	-10.9%	249,876	3.9%
Time deposits	46,412	61,404	-24.4%	40,118	15.7%
Total deposits	663,483	655,944	1.1%	579,351	14.5%
Borrowings	9,845	9,770	0.8%	9,891	-0.5%
Other liabilities	6,812	6,531	4.3%	7,472	-8.8%
Total liabilities	680,140	672,245	1.2%	596,714	14.0%
Common stock	64,122	63,492	1.0%	58,795	9.1%
Retained earnings	3,377	2,174	-55.3%	(1,100)	407.0%
Other comprehensive income	(137)	(41)	-234.1%	(142)	3.5%
Total shareholder's equity	67,362	65,625	2.6%	57,553	17.0%
Total liabilities and equity	747,502	737,870	1.3%	654,267	14.3%
<b>Book value per share</b>					
Book value per share	\$ 11.31	\$ 11.04		\$ 10.51	
Total shares outstanding EOP	5,957	5,944		5,477	
<b>Capital Ratios</b>					
Tier 1 leverage ratio	9.1%	9.5%		9.0%	
Common equity tier 1 capital ratio	10.1%	10.3%		9.4%	
Tier 1 risk-based capital ratio	10.1%	10.3%		9.4%	
Total risk-based capital ratio	12.7%	12.9%		12.1%	

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

	For the three months ended					For the twelve months ended		
	12/31/2016	9/30/2016	Change Fav./ (Unfav.)	12/31/2015	Change Fav./ (Unfav.)	12/31/2016	12/31/2015	Change Fav./ (Unfav.)
Interest income	6,736	6,575	2.4%	5,860	14.9%	25,993	21,583	20.4%
Interest expense	455	471	3.4%	409	(11.2%)	1,775	1,662	(6.8%)
Net interest income	6,281	6,104	2.9%	5,451	15.2%	24,218	19,921	21.6%
Provision for loan loss	226	274	17.5%	707	68.0%	567	1,129	(49.8%)
Net interest income after provision	6,055	5,830	3.9%	4,744	27.6%	23,651	18,792	25.9%
Other income	189	177	6.8%	158	19.6%	698	701	(0.4%)
Compensation and benefit expenses	2,657	2,546	(4.4%)	2,441	(8.8%)	10,671	9,668	(10.4%)
Occupancy and equipment expenses	547	531	(3.0%)	441	(24.0%)	2,124	1,765	(20.3%)
Data processing	340	320	(6.3%)	299	(13.7%)	1,287	1,152	(11.7%)
Professional and legal	121	142	14.8%	114	(6.1%)	539	531	(1.5%)
Other operating expenses	612	548	(11.7%)	575	(6.4%)	2,310	2,212	(4.4%)
Total operating expenses	4,277	4,087	(4.6%)	3,870	(10.5%)	16,931	15,328	(10.5%)
Net income before taxes	1,967	1,920	2.4%	1,032	90.6%	7,418	4,165	78.1%
Income taxes	763	736	(3.7%)	329	(131.9%)	2,941	1,623	(81.2%)
Net income	1,204	1,184	1.7%	703	71.3%	4,477	2,542	76.1%
Preferred dividends and accretion	-	-	-	-	-	-	475	-
Net income to common	1,204	1,184	1.7%	703	71.3%	4,477	2,067	116.6%
<b>Earnings Per Share</b>								
Basic earnings per share	\$ 0.20	\$ 0.20		\$ 0.13		\$ 0.77	\$ 0.43	
Diluted earnings per share	\$ 0.20	\$ 0.19		\$ 0.13		\$ 0.75	\$ 0.41	
Average shares outstanding	5,946	5,926		5,328		5,788	4,773	
Average diluted shares	6,126	6,096		5,598		5,987	5,022	
<b>Performance Ratios</b>								
Return on average assets	0.65%	0.68%		0.41%		0.66%	0.43%	
Return on average common equity	7.15%	7.22%		4.62%		7.04%	4.25%	
Net interest margin	3.45%	3.59%		3.48%		3.63%	3.48%	
Cost of funds	0.27%	0.29%		0.28%		0.29%	0.31%	
Efficiency ratio	66.1%	65.1%		70.0%		68.0%	74.7%	
<b>Average Balances</b>								
Total assets	738,307	694,088		638,063		680,565	585,174	
Earning assets	725,247	679,353		623,229		666,298	572,116	
Total loans	537,641	547,748		484,925		534,930	444,418	
Total deposits	655,149	603,428		564,380		596,303	514,833	
Common equity	66,788	65,228		56,198		63,275	54,148	

## Condensed Balance Sheet (5 Quarter Data)

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

	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Cash and due from banks	6,035	6,743	9,430	12,723	6,175
Interest bearing due from banks	150,159	168,954	73,324	96,867	103,211
Total cash and equivalents	156,194	175,697	82,754	109,590	109,386
Investment securities	13,249	13,955	14,456	14,548	15,034
Loans, net of fees	572,780	542,867	544,577	522,942	523,815
Allowance for loan losses	(6,868)	(6,642)	(6,368)	(6,301)	(6,301)
Net loans	565,912	536,225	538,209	516,641	517,514
Premises and equipment, net	1,020	1,041	1,101	1,155	1,231
Other assets and interest receivable	11,127	10,952	11,264	11,274	11,102
Total assets	747,502	737,870	647,784	653,208	654,267
Non-interest-bearing demand	257,757	222,877	201,121	210,872	210,997
Interest bearing transaction	99,604	80,112	83,121	104,147	78,359
Money market and savings accounts	259,710	291,551	213,227	220,936	249,876
Time deposits	46,412	61,404	42,755	40,827	40,118
Total deposits	663,483	655,944	540,224	576,782	579,350
Borrowings	9,845	9,770	37,510	9,773	9,891
Other liabilities	6,812	6,531	6,272	6,629	7,472
Total liabilities	680,140	672,245	584,006	593,184	596,713
Common stock	64,122	63,492	62,807	60,248	58,796
Retained earnings	3,377	2,174	989	(160)	(1,100)
Other comprehensive income	(137)	(41)	(18)	(64)	(142)
Total shareholder's equity	67,362	65,625	63,778	60,024	57,554
Total liabilities and equity	747,502	737,870	647,784	653,208	654,267
<b>Book value per share</b>					
Book value per share	\$ 11.31	\$ 11.04	\$ 10.82	\$ 10.75	\$ 10.51
Total shares outstanding EOP	5,957	5,944	5,893	5,581	5,477
<b>Capital Ratios</b>					
Tier 1 leverage ratio	9.1%	9.5%	9.8%	9.5%	9.0%
Common equity tier 1 capital ratio	10.1%	10.3%	10.1%	9.8%	9.4%
Tier 1 risk-based capital ratio	10.1%	10.3%	10.1%	9.8%	9.4%
Total risk-based capital ratio	12.7%	12.9%	12.8%	12.5%	12.2%

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

	For the three months ended				
	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Interest income	6,736	6,575	6,309	6,372	5,860
Interest expense	455	471	436	413	409
Net interest income	6,281	6,104	5,873	5,959	5,451
Provision for loan loss	226	274	67	-	707
Net interest income after provision	6,055	5,830	5,806	5,959	4,744
Other income	189	177	161	171	158
Compensation and benefit expenses	2,657	2,546	2,424	3,044	2,441
Occupancy and equipment expenses	547	531	531	516	441
Data processing	340	320	304	323	299
Professional and legal	121	142	141	136	114
Other operating expenses	612	548	593	553	575
Total operating expenses	4,277	4,087	3,993	4,572	3,870
Net income before taxes	1,967	1,920	1,974	1,558	1,032
Income taxes	763	736	825	618	329
Net income	1,204	1,184	1,149	940	703
Preferred dividends	-	-	-	-	-
Net income to common	1,204	1,184	1,149	940	703

**Earnings Per Share**

Basic earnings per share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.17	\$ 0.13
Diluted earnings per share	\$ 0.20	\$ 0.19	\$ 0.19	\$ 0.16	\$ 0.13
Average shares outstanding	5,946	5,926	5,713	5,693	5,328
Average diluted shares	6,126	6,096	5,922	5,922	5,598

**Performance Ratios**

Return on average assets	0.65%	0.68%	0.71%	0.59%	0.41%
Return on average common equity	7.15%	7.22%	7.46%	6.38%	4.62%
Net interest margin	3.45%	3.59%	3.70%	3.86%	3.48%
Cost of funds	0.27%	0.29%	0.30%	0.29%	0.29%
Efficiency ratio	66.1%	65.1%	66.2%	74.6%	70.0%

**Average Balances**

Total assets	738,307	694,088	653,042	636,043	638,063
Earning assets	725,247	679,353	638,560	621,240	623,229
Total loans	537,641	547,748	531,739	522,422	484,925
Total deposits	655,149	603,428	568,518	558,000	564,380
Common equity	66,788	65,228	61,945	59,117	56,198

## Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Commercial real estate	263,463	248,646	244,457	226,555	224,220
Land and construction	12,298	20,025	38,714	47,960	42,493
Commercial	180,412	161,783	150,613	145,127	153,853
Personal	31,352	31,411	35,376	30,465	27,103
Residential	30,510	30,977	26,852	25,013	30,212
Multifamily	55,593	50,832	49,379	48,659	46,827
Deferred loan fees	(848)	(806)	(813)	(837)	(893)
Loans	572,779	542,867	544,577	522,942	523,814
Allowance for loan losses	(6,868)	(6,642)	(6,368)	(6,301)	(6,301)
Net loans	565,912	536,225	538,209	516,641	517,514

## Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Non-Accrual Loans	1,055	1,068	1,074	1,094	1,213
Non-Performing Loans (NPL)	1,055	1,068	1,074	1,094	1,213
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	1,055	1,068	1,074	1,094	1,213
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	1,055	1,068	1,074	1,094	1,213
Quarterly Net Charge-offs	-	-	-	-	-
NPAs / Assets %	0.14%	0.14%	0.17%	0.17%	0.19%
NPAs & 90 Day / Assets %	0.14%	0.14%	0.17%	0.17%	0.19%
NPAs / Actual Loans and OREO %	0.14%	0.14%	0.17%	0.17%	0.19%
Loan Loss Reserves / Loans (%)	1.20%	1.22%	1.17%	1.20%	1.20%

## Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

	For the Three Months Ended					
	12/31/2016			12/31/2015		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 174,024	\$ 213	0.49 %	\$ 124,773	\$ 91	0.29 %
Federal Reserve and Federal Home Loan Bank stock	4,216	160	15.12	3,775	71	7.45
Investment Securities	9,367	34	1.44	9,757	48	1.95
Loans: (2)						
Commercial	157,595	1,905	4.81	142,328	1,642	4.58
Land and Construction	15,524	267	6.84	37,580	495	5.22
Commercial Real Estate	250,071	2,912	4.63	208,961	2,463	4.68
Residential	30,500	320	4.17	26,936	287	4.23
Multifamily	52,092	613	4.68	43,628	509	4.63
Personal	31,858	312	3.90	25,492	255	3.96
Total Loans	537,641	6,329	4.68	484,925	5,650	4.62
Total Earning Assets	725,247	6,736	3.70	623,229	5,860	3.73
Allowance for loan losses	(6,642)			(5,679)		
Cash and cash equivalents	8,640			9,289		
Other assets	11,061			11,223		
<b>Total Assets</b>	<b>\$ 738,307</b>			<b>\$ 638,063</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 93,846	\$ 43	0.18 %	\$ 80,069	\$ 37	0.18 %
Money market deposits	264,975	147	0.22	227,963	122	0.21
Savings deposits	3,221	1	0.08	2,540	1	0.11
Certificates and other time deposits	50,966	53	0.41	43,538	38	0.35
Total Interest-bearing Deposits	413,008	244	0.23	354,108	198	0.22
Borrowings	9,886	211	8.48	9,794	211	8.55
Total Interest-bearing Liabilities	422,894	455	0.43	363,902	409	0.45
Noninterest-bearing deposits	242,141			210,271		
Other liabilities	6,483			7,692		
Total Liabilities	671,518			581,866		
Stockholders' Equity	66,788			56,198		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 738,307</b>			<b>\$ 638,063</b>		
<b>Net Interest Income</b>		<b>\$ 6,281</b>			<b>\$ 5,451</b>	
<b>Net Interest Margin</b>			<b>3.44 %</b>			<b>3.47 %</b>
<b>Cost of funds</b>			<b>0.27 %</b>			<b>0.28 %</b>



## Net Interest Income (YTD)

(Dollars in Thousands, unaudited)

	For the Twelve Months Ended					
	12/31/2016			12/31/2015		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 117,087	\$ 592	0.51 %	\$ 113,656	\$ 292	0.26 %
Federal Reserve and Federal Home Loan Bank stock	4,016	373	9.30	3,434	310	9.02
Investment Securities	10,265	143	1.39	10,607	154	1.45
Loans: (2)						
Commercial	153,918	7,221	4.69	135,740	6,256	4.61
Land and Construction	33,487	1,754	5.24	25,902	1,368	5.28
Commercial Real Estate	238,263	11,205	4.70	199,211	9,547	4.79
Residential	28,281	1,186	4.19	25,133	1,048	4.17
Multifamily	48,843	2,248	4.60	38,434	1,803	4.69
Personal	32,137	1,272	3.96	19,999	805	4.03
Total Loans	534,930	24,884	4.65	444,418	20,828	4.69
Total Earning Assets	666,298	25,993	3.90	572,116	21,583	3.77
Allowance for loan losses	(6,452)			(5,314)		
Cash and cash equivalents	9,272			8,147		
Other assets	11,446			10,225		
<b>Total Assets</b>	<b>\$ 680,565</b>			<b>\$ 585,174</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 88,330	\$ 173	0.20 %	\$ 73,822	\$ 152	0.21 %
Money market deposits	237,624	541	0.23	206,587	450	0.22
Savings deposits	3,335	4	0.11	2,375	3	0.11
Certificates and other time deposits	47,003	195	0.41	48,880	213	0.44
Total Interest-bearing Deposits	376,293	912	0.24	331,663	818	0.25
Borrowings	14,088	863	6.12	9,855	844	8.56
Total Interest-bearing Liabilities	390,382	1,775	0.45	341,518	1,662	0.49
Noninterest-bearing deposits	220,010			183,170		
Other liabilities	6,898			6,338		
Total Liabilities	617,289			531,026		
Stockholders' Equity	63,275			54,148		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 680,565</b>			<b>\$ 585,174</b>		
<b>Net Interest Income</b>		<b>\$ 24,218</b>			<b>\$ 19,921</b>	
<b>Net Interest Margin</b>			<b>3.63 %</b>			<b>3.48 %</b>
<b>Cost of funds</b>			<b>0.29 %</b>			<b>0.32 %</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.*