



# PRESIDIO BANK

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## PRESS RELEASE

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**FOR IMMEDIATE RELEASE:**

## PRESIDIO BANK REPORTS RESULTS FOR THE SECOND QUARTER OF 2017

San Francisco, CA, July 20, 2017: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the second quarter ended June 30, 2017 with Net Income of \$1.6 million, up 32% from the first quarter of 2017. Total Assets were \$746 million at June 30, 2017, up 8% from March 31, 2017, and up 15% from June 30, 2016.

“We are pleased to report solid growth in Loans, Deposits, Revenue and Income in the second quarter,” said Presidio Bank President and CEO Steve Heitel. “In addition, the Bank continues to show improvement in its efficiency and profitability metrics.”

### Financial Highlights

- Total Loans Outstanding were up \$26 million from the quarter ending March 31, 2017 and up \$59 million from June 30, 2016 or 11%. New Loan Originations continue to be strong with New Loan Commitments of \$76 million in the second quarter of 2017, up from \$70 million in the first quarter of 2017. Loan growth in the second quarter of 2017 came primarily from Commercial and Industrial Loans \$11 million, Land and Construction Loans \$9 million, and Commercial Real Estate Loans \$7 million. Undisbursed Construction Loans continue to exceed historical averages and total \$54 million at June 30, 2017. It is likely a high percentage of these loans will fund during 2017.
- Total Deposits increased by \$52 million from the quarter ended March 31, 2017, rebounding from the seasonal low in the first quarter. Total Deposits are up \$120 million or 22% from the quarter ended June 30, 2016. Non-Interest-Bearing Demand Deposits remain at 38% of Total Deposits.
- Net Interest Income of \$6.9 million in the second quarter of 2017 was up 7.4% from the first quarter of 2017 and up 18% from the second quarter of 2016. This increase is due to higher average loan balances and the impact of rate increases by the Federal Reserve, which has led to an increase in Prime rate. Net Interest Margin increased during the quarter to 3.98% from 3.74% in the first quarter of 2017 due to higher Loan Yields and lower levels of average Liquid Assets carried during the quarter.
- Operating Expenses decreased by 7% over the first quarter of 2017. In addition to the normal seasonal reduction in Employer Paid Taxes and Employee Benefits Expense, the second quarter benefited from a reduction in Loan Loss Provision Expense on Undisbursed Loans, which totaled \$26 thousand in the second quarter versus \$247 thousand in the first quarter. This reduction is due to slower growth in undisbursed Construction Loans in the second quarter. The reduction in Operating Expenses combined with the Revenue growth in the quarter resulted in an improvement in the Bank’s efficiency ratio from 71% in the first quarter to 62% in the second quarter.
- Year-to-date revenue growth is 12.9% while year-to-date expense growth is 5.9%, achieving the Bank’s target of growing revenues twice as fast as expenses.



# PRESIDIO BANK

- Credit Quality remains stable and strong with a Classified to Capital Ratio of 4.3% at June 30, 2017. The Loan Loss Provision Expense for the second quarter was \$198 thousand driven by growth in the loan portfolio and the downgrade of one commercial relationship to Special Mention. In addition, the Bank took a \$51 thousand Charge-off during the quarter, which represents the previously reserved portion of the Bank's one non-performing loan. The Allowance for Loan Losses covers Non-Performing Loans by more than seven times.
- Diluted Earnings per Common Share were \$0.26 for the quarter, up from \$0.19 from the quarter ended March 31, 2017.
- Book Value per Share increased to \$11.75 per share at June 30, 2017 from \$11.50 per share at March 31, 2017 and \$10.82 per share at June 30, 2016.

“In addition to strong financial results this quarter, Presidio Bank was honored to receive the 2017 Tall Tree Award as the Outstanding Business from the Palo Alto Chamber of Commerce,” said Presidio Bank Chairman and Founder, Jim Woolwine. “The Bank was also once again named to the San Francisco Business Times List of Top Corporate Philanthropists.”

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## 2<sup>nd</sup> Quarter 2017 Financial Results

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

### Condensed Balance Sheet

	6/30/2017	3/31/2017	Change	6/30/2016	Change	12/31/2016	Change
Cash and due from banks	9,789	6,239	56.9%	9,430	3.8%	6,035	62.2%
Interest-bearing due from banks	101,532	88,944	14.2%	73,324	38.5%	150,159	-32.4%
Total cash and equivalents	111,321	95,183	17.0%	82,754	34.5%	156,194	-28.7%
Investment securities	12,736	12,893	-1.2%	14,456	-11.9%	13,249	-3.9%
Loans, net of fees	603,689	578,033	4.4%	544,577	10.9%	572,780	5.4%
Allowance for loan losses	(7,014)	(6,868)	2.1%	(6,368)	10.1%	(6,868)	2.1%
Net loans	596,675	571,165	4.5%	538,209	10.9%	565,912	5.4%
Premises and equipment, net	1,335	1,005	32.8%	1,101	21.3%	1,020	30.9%
Other assets and interest receivable	24,159	11,610	108.1%	11,264	114.5%	11,128	117.1%
Total assets	746,226	691,856	7.9%	647,784	15.2%	747,503	-0.2%
Non-interest-bearing demand	250,344	233,059	7.4%	201,121	24.5%	257,757	-2.9%
Interest-bearing transaction	103,727	98,560	5.2%	83,121	24.8%	99,604	4.1%
Money market and savings accounts	258,564	228,801	13.0%	213,227	21.3%	259,711	-0.4%
Time deposits	47,293	48,016	-1.5%	42,755	10.6%	46,412	1.9%
Total deposits	659,928	608,436	8.5%	540,224	22.2%	663,484	-0.5%
Borrowings	10,152	9,860	3.0%	37,510	NM	9,845	3.1%
Other liabilities	4,837	4,233	14.3%	6,272	-22.9%	6,812	-29.0%
Total liabilities	674,917	622,529	8.4%	584,006	15.6%	680,140	-0.8%
Common stock	65,185	64,801	0.6%	62,807	3.8%	64,122	1.7%
Retained earnings	6,173	4,581	34.8%	989	-524.2%	3,377	82.8%
Other comprehensive income	(49)	(55)	10.9%	(18)	-172.2%	(137)	-64.2%
Total shareholder's equity	71,309	69,327	2.9%	63,778	11.8%	67,362	5.9%
Total liabilities and equity	746,226	691,856	7.9%	647,784	15.2%	747,503	-0.2%

### Book value per share

Book value per share	\$ 11.75	\$ 11.50	\$ 10.82	\$ 11.31
Total shares outstanding EOP	6,069	6,030	5,893	5,957

### Capital Ratios

Tier 1 leverage ratio	10.0%	9.7%	9.8%	9.1%
Tier 1 risk-based capital ratio	9.6%	10.1%	10.1%	10.1%
Tangible common risk-based ratio	9.6%	10.1%	10.1%	10.1%
Total risk-based capital ratio	12.0%	12.6%	12.8%	12.7%

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

	For the three months ended					For the six months ended		
	6/30/2017	3/31/2017	Change Fav./ (Unfav.)	6/30/2016	Change Fav./ (Unfav.)	6/30/2017	6/30/2016	Change Fav./ (Unfav.)
Interest income	7,349	6,853	7.2%	6,309	16.5%	14,202	12,681	12.0%
Interest expense	442	422	(4.7%)	436	(1.4%)	865	849	(1.8%)
Net interest income	6,907	6,431	7.4%	5,873	17.6%	13,337	11,832	12.7%
Provision for loan loss	198	-	NM	67	NM	198	67	NM
Net interest income after provision	6,709	6,431	4.3%	5,806	15.6%	13,139	11,765	11.7%
Other income	191	202	(5.4%)	161	18.6%	393	333	18.0%
Compensation and benefit expenses	2,736	2,938	6.9%	2,424	(12.9%)	5,674	5,468	(3.8%)
Occupancy and equipment expenses	518	520	0.4%	531	2.4%	1,038	1,046	0.8%
Data processing	326	306	(6.6%)	304	(7.3%)	632	627	(0.8%)
Professional and legal	203	139	(46.0%)	141	(43.9%)	342	276	(23.9%)
Other operating expenses	586	801	26.9%	593	1.2%	1,387	1,149	(20.7%)
Total operating expenses	4,369	4,704	7.1%	3,993	(9.4%)	9,073	8,566	(5.9%)
Net income before taxes	2,531	1,929	31.2%	1,974	28.2%	4,459	3,532	26.3%
Income taxes	939	725	(29.5%)	825	(13.8%)	1,663	1,442	(15.4%)
Net income	1,592	1,204	32.2%	1,149	38.6%	2,796	2,090	33.8%

**Earnings Per Share**

Basic earnings per share	\$ 0.27	\$ 0.20	\$ 0.20	\$ 0.47	\$ 0.37
Diluted earnings per share	\$ 0.26	\$ 0.19	\$ 0.19	\$ 0.45	\$ 0.36
Average shares outstanding	5,899	5,932	5,673	5,881	5,614
Average diluted shares	6,157	6,185	5,882	6,136	5,838

**Performance Ratios**

Return on average assets	0.90%	0.69%	0.71%	0.79%	0.65%
Return on average common equity	9.03%	7.09%	7.46%	8.07%	6.95%
Net interest margin	3.98%	3.74%	3.70%	3.86%	3.78%
Cost of funds	0.28%	0.27%	0.30%	0.27%	0.30%
Efficiency ratio	61.6%	71.0%	66.2%	66.3%	70.4%

**Average Balances**

Total assets	711,847	712,119	653,042	711,982	644,540
Earning assets	695,297	698,171	638,560	696,726	629,900
Total loans	588,980	567,792	531,739	578,445	527,081
Total deposits	627,004	628,228	568,518	627,310	563,259
Common equity	70,741	68,760	61,945	69,756	60,514

*NM = Not Meaningful*

## Condensed Balance Sheet (5 Quarter Data)

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

	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Cash and due from banks	9,789	6,239	6,035	6,743	9,430
Interest-bearing due from banks	101,532	88,944	150,159	168,954	73,324
Total cash and equivalents	111,321	95,183	156,194	175,697	82,754
Investment securities	12,736	12,893	13,249	13,955	14,456
Loans, net of fees	603,689	578,033	572,780	542,867	544,577
Allowance for loan losses	(7,014)	(6,868)	(6,868)	(6,642)	(6,368)
Net loans	596,675	571,165	565,912	536,225	538,209
Premises and equipment, net	1,335	1,005	1,020	1,041	1,101
Other assets and interest receivable	24,159	11,610	11,128	10,952	11,264
Total assets	746,226	691,856	747,503	737,870	647,784
Non-interest-bearing demand	250,344	233,059	257,757	222,877	201,121
Interest-bearing transaction	103,727	98,560	99,604	80,112	83,121
Money market and savings accounts	258,564	228,801	259,711	291,551	213,227
Time deposits	47,293	48,016	46,412	61,404	42,755
Total deposits	659,928	608,436	663,484	655,944	540,224
Borrowings	10,152	9,860	9,845	9,770	37,510
Other liabilities	4,837	4,233	6,812	6,531	6,272
Total liabilities	674,917	622,529	680,140	672,245	584,006
Common stock	65,185	64,801	64,122	63,492	62,807
Retained earnings	6,173	4,581	3,377	2,174	989
Other comprehensive income	(49)	(55)	(137)	(41)	(18)
Total shareholder's equity	71,309	69,327	67,362	65,625	63,778
Total liabilities and equity	746,226	691,856	747,503	737,870	647,784
<b>Book value per share</b>					
Book value per share	\$ 11.75	\$ 11.50	\$ 11.31	\$ 11.04	\$ 10.82
Total shares outstanding EOP	6,069	6,030	5,957	5,944	5,893
<b>Capital Ratios</b>					
Tier 1 leverage ratio	10.0%	9.7%	9.1%	9.5%	9.8%
Common equity tier 1 capital ratio	9.6%	10.1%	10.1%	10.3%	10.1%
Tier 1 risk-based capital ratio	9.6%	10.1%	10.1%	10.3%	10.1%
Total risk-based capital ratio	12.0%	12.6%	12.7%	12.9%	12.8%

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

	For the three months ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Interest income	7,349	6,853	6,736	6,575	6,309
Interest expense	442	422	455	471	436
Net interest income	6,907	6,431	6,281	6,104	5,873
Provision for loan loss	198	-	226	274	67
Net interest income after provision	6,709	6,431	6,055	5,830	5,806
Other income	191	202	189	177	161
Compensation and benefit expenses	2,736	2,938	2,657	2,546	2,424
Occupancy and equipment expenses	518	520	547	531	531
Data processing	326	306	340	320	304
Professional and legal	203	139	121	142	141
Other operating expenses	586	801	612	548	593
Total operating expenses	4,369	4,704	4,277	4,087	3,993
Net income before taxes	2,531	1,929	1,967	1,920	1,974
Income taxes	939	725	763	736	825
Net income	1,592	1,204	1,204	1,184	1,149
<b>Earnings Per Share</b>					
Basic earnings per share	\$ 0.27	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Diluted earnings per share	\$ 0.26	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Average shares outstanding	5,899	5,932	5,906	5,906	5,673
Average diluted shares	6,157	6,185	6,085	6,076	5,822
<b>Performance Ratios</b>					
Return on average assets	0.90%	0.69%	0.65%	0.68%	0.71%
Return on average common equity	9.03%	7.09%	7.15%	7.22%	7.46%
Net interest margin	3.98%	3.74%	3.45%	3.59%	3.70%
Cost of funds	0.28%	0.27%	0.27%	0.29%	0.30%
Efficiency ratio	61.6%	71.0%	66.1%	65.1%	66.2%
<b>Average Balances</b>					
Total assets	711,847	712,119	738,307	694,088	653,042
Earning assets	695,297	698,171	725,247	679,353	638,560
Total loans	588,980	567,792	537,641	547,748	531,739
Total deposits	627,004	628,228	655,149	603,428	568,518
Common equity	70,741	68,760	66,788	65,228	61,945

## Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Commercial real estate	275,189	268,334	263,463	248,646	244,457
Land and construction	22,657	13,629	12,298	20,025	38,714
Commercial	187,537	176,073	180,412	161,783	150,613
Personal	23,008	30,992	31,352	31,411	35,376
Residential	33,671	27,077	30,510	30,977	26,852
Multifamily	62,634	62,898	55,593	50,832	49,379
Deferred loan fees	(1,007)	(970)	(848)	(806)	(813)
Loans	603,689	578,033	572,779	542,867	544,577
Allowance for loan losses	(7,015)	(6,868)	(6,868)	(6,642)	(6,368)
Net loans	596,675	571,165	565,912	536,225	538,209

## Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Non-Accrual Loans	991	1,042	1,055	1,068	1,074
Non-Performing Loans (NPL)	991	1,042	1,055	1,068	1,074
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	991	1,042	1,055	1,068	1,074
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	991	1,042	1,055	1,068	1,074
Quarterly Net Charge-offs	51	-	-	-	-
NPAs / Assets %	0.13%	0.15%	0.14%	0.14%	0.17%
NPAs & 90 Day / Assets %	0.13%	0.15%	0.14%	0.14%	0.17%
NPAs / Actual Loans and OREO %	0.13%	0.15%	0.14%	0.14%	0.17%
Loan Loss Reserves / Loans (%)	1.16%	1.19%	1.20%	1.22%	1.17%

## Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

	For the Six Months Ended					
	6/30/2017			6/30/2016		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 105,319	\$ 483	0.93 %	\$ 88,129	\$ 227	0.52 %
Federal Reserve and Federal Home Loan Bank stock	4,374	151	6.95	3,865	135	7.05
Investment Securities	8,589	64	1.50	10,826	75	1.39
Loans: (2)						
Commercial	174,400	4,133	4.78	149,450	3,531	4.75
Land and Construction	15,360	469	6.15	43,139	1,076	5.01
Commercial Real Estate	267,966	6,227	4.69	228,758	5,341	4.70
Residential	29,446	666	4.56	27,048	565	4.20
Multifamily	61,279	1,393	4.58	46,946	1,098	4.71
Personal	29,994	616	4.14	31,740	633	4.01
Total Loans	578,445	13,504	4.71	527,081	12,245	4.67
Total Earning Assets	696,726	14,202	4.11	629,900	12,681	4.05
Allowance for loan losses	(6,884)			(6,306)		
Cash and cash equivalents	9,144			9,313		
Other assets	12,996			11,633		
<b>Total Assets</b>	<b>\$ 711,982</b>			<b>\$ 644,540</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 102,725	\$ 95	0.19 %	\$ 87,231	\$ 89	0.20 %
Money market deposits	234,166	235	0.20	221,025	250	0.23
Savings deposits	4,393	2	0.09	3,408	2	0.13
Certificates and other time deposits	46,943	110	0.47	41,095	79	0.38
Total Interest-bearing Deposits	388,228	443	0.23	352,759	419	0.24
Borrowings	9,884	422	8.61	13,630	430	6.34
Total Interest-bearing Liabilities	398,113	865	0.44	366,389	849	0.47
Noninterest-bearing deposits	239,082			210,500		
Other liabilities	5,032			7,138		
Total Liabilities	642,226			584,027		
Stockholders' Equity	69,756			60,514		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 711,982</b>			<b>\$ 644,540</b>		
<b>Net Interest Income</b>		<b>\$ 13,337</b>			<b>\$ 11,832</b>	
<b>Net Interest Margin</b>			<b>3.86 %</b>			<b>3.78 %</b>
<b>Cost of funds</b>			<b>0.27 %</b>			<b>0.30 %</b>



## Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

### For the Three Months Ended

	6/30/2017			3/31/2017		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 93,405	\$ 223	0.96 %	\$ 117,365	\$ 260	0.90 %
Federal Reserve and Federal Home Loan Bank stock	4,518	69	6.13	4,229	82	7.83
Investment Securities	8,395	31	1.49	8,785	33	1.50
Loans: (2)						
Commercial	182,033	2,191	4.83	166,682	1,942	4.72
Land and Construction	17,072	269	6.33	13,628	199	5.94
Commercial Real Estate	267,931	3,183	4.77	268,000	3,043	4.61
Residential	31,139	366	4.71	27,735	301	4.40
Multifamily	63,085	718	4.56	59,453	675	4.60
Personal	27,720	298	4.31	32,294	318	4.00
Total Loans	588,980	7,025	4.78	567,792	6,478	4.63
Total Earning Assets	695,297	7,349	4.24	698,171	6,853	3.98
Allowance for loan losses	(6,900)			(6,868)		
Cash and cash equivalents	9,055			9,234		
Other assets	14,395.02			11,582		
<b>Total Assets</b>	<b>\$ 711,847</b>			<b>\$ 712,119</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 104,413	\$ 51	0.20 %	\$ 101,019	\$ 44	0.18 %
Money market deposits	234,203	120	0.21	234,129	115	0.20
Savings deposits	5,258	1	0.09	3,519	1	0.09
Certificates and other time deposits	47,988	59	0.49	46,494	51	0.45
Total Interest-bearing Deposits	391,862	231	0.24	385,162	211	0.22
Borrowings	9,981	211	8.48	9,786	211	8.74
Total Interest-bearing Liabilities	401,844	442	0.44	394,948	422	0.43
Noninterest-bearing deposits	235,141			243,067		
Other liabilities	4,122			5,344		
Total Liabilities	641,107			643,358		
Stockholders' Equity	70,741			68,760		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 711,847</b>			<b>\$ 712,119</b>		
<b>Net Interest Income</b>		\$ 6,906			\$ 6,431	
<b>Net Interest Margin</b>			3.98 %			3.74 %
<b>Cost of funds</b>			0.28 %			0.27 %

**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.*