



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 2018

Pretax Income up 39% for the year.

San Francisco, CA, January 23, 2019: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the fourth quarter and full year ended December 31, 2018 with Net Income for the year of \$11.8 million, up 116% from 2017. Net Income in 2017 was reduced by a \$1.5 million devaluation of Deferred Tax Assets and Low Income Housing Investments in the fourth quarter due to the tax reform legislation. Pretax Income for 2018 was \$15.7 million, up 39% from 2017. Pretax Income for the quarter ending December 31, 2018 was \$4.8 million, up 10% from the quarter ending September 30, 2018, and up 39% from the quarter ending December 31, 2017. Diluted Earnings per Share were \$0.50 for the fourth quarter of 2018. For 2018, Diluted Earnings per Share were \$1.82, up from \$0.87 in 2017. Diluted Earnings per share were reduced by \$0.24 in 2017 due to the Deferred Tax Asset devaluation. Total Assets were \$862 million at December 31, 2018, up \$28 million or 3% from September 30, 2018 and up \$69 million or 9% from December 31, 2017.

“2018 was another year of significant growth in profitability driven by continued asset growth combined with increasing margins and improved efficiency,” said Presidio Bank CEO Steve Heitel.

Financial Highlights

- Loans, net of fees at December 31, 2018 were up \$42 million or 6.3% from September 30, 2018 and up \$85 million or 13.5% from December 31, 2017. Growth for the year was centered in Commercial Real Estate, up \$57 million, Personal, up \$18 million and Land and Construction, up \$11 million. Commercial and Industrial Loans declined \$21 million during 2018, primarily due to a decline in Line of Credit Utilization from 42% to 33%. Loan Originations for the fourth quarter of 2018 were \$78 million, up from \$42 million in the third quarter 2018. For the year, Loan Originations were \$252 million, down marginally from \$259 million in 2017.
- Total Deposits at December 31, 2018 increased by \$24 million or 3% from September 30, 2018. Total Deposits increased \$55 million or 8% for the year. Demand Deposits increased \$4 million or 1% in the fourth quarter and were up \$24 million or 8% for the year. Demand Deposits comprise 42% of total deposits at December 31, 2018. Money Market Deposits increased by \$6 million or 2% in the fourth quarter and were up \$47 million or 20% for the year.
- Net Interest Income of \$9.5 million in the fourth quarter of 2018 was up 4% from the third quarter of 2018 and up 23% from the fourth quarter of 2017. For the year, Net Interest Income was up 21% over 2017. Net Interest Margin increased during the fourth quarter of 2018 to 4.55% from 4.32% in the third quarter of 2018. Net Interest Margin for the full year 2018 was 4.34%, up from 4.05% in 2017. Loan portfolio yield for the quarter increased to 5.42% from 5.27% in the third quarter of 2018. For the year, the loan portfolio yield increased to 5.25% from 4.91% in 2017. The Cost of Deposits was 0.32% in the fourth quarter 2018, up from 0.28% in the third quarter of 2018. For the year, the Cost of Deposits was 0.26%, up from 0.15% in 2017.



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- Operating Expense in the fourth quarter 2018 was up 2% from the third quarter of 2018 and up 9.2% from the fourth quarter of 2017. For the full year 2018, Operating Expense was up 10.8%, primarily due to a growth-related increase in Salary and Benefit Expense, an increase in Occupancy Expense due to the full year impact of the lease on our Walnut Creek branch that opened in the 2nd half of the 2017, and higher professional fees.
- Full year 2018 Total Revenue grew 21% while Total Expenses grew 10.8% compared to full year 2017. The Bank's efficiency ratio improved to 56.2% in 2018 from 61.7% in 2017. In the fourth quarter of 2018, the Bank's efficiency ratio was 51.2% versus 57.4% in the fourth quarter of 2017.
- During the fourth quarter of 2018, the Bank placed a \$3.7 million Commercial Real Estate Loan on non-accrual status. The loan is past due because of a dispute between the owners of the property, which prevented a timely renewal of the credit. There is currently no impairment on the loan as a recent appraisal indicated a loan-to-value ratio of 50%. This is the Bank's only non-performing loan. The Classified Asset to Capital Ratio increased to 6.3% at December 31, 2018 from 2.6% at September 30, 2018 solely due to the above referenced loan. Total Criticized and Classified Loans represent only 4% of Loan Commitments and 5% of Loans Outstanding at December 31, 2018, up 1% each from September 30, 2018.
- Book Value per Share increased to \$14.21 per share at December 31, 2018 from \$13.59 per share at September 30, 2018 and \$12.29 per share at December 31, 2017.

"I am grateful to our clients for continuing to trust us with their banking business and their willingness to refer us to their friends," said Presidio Bank Chairman and Founder, Jim Woolwine. "This has allowed us to continue our quality growth."

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4th Quarter 2018 Financial Results

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

Condensed Balance Sheet

	12/31/2018	9/30/2018	Change	12/31/2017	Change
Cash and due from banks	7,804	9,041	-13.7%	7,613	2.5%
Interest bearing due from banks	67,877	78,598	-13.6%	129,952	-47.8%
Total cash and equivalents	75,681	87,639	-13.6%	137,565	-45.0%
Investment securities	57,925	59,282	-2.3%	12,313	370.4%
Loans, net of fees	710,939	668,934	6.3%	626,282	13.5%
Allowance for loan losses	(7,439)	(7,423)	0.2%	(7,166)	3.8%
Net loans	703,500	661,511	6.3%	619,116	13.6%
Premises and equipment, net	2,287	2,371	-3.5%	2,627	-13.0%
Other assets and interest receivable	23,071	23,366	-1.3%	22,237	3.7%
Total assets	862,464	834,169	3.4%	793,858	8.6%
Non-interest-bearing demand	319,358	315,493	1.2%	295,070	8.2%
Interest bearing transaction	116,120	101,712	14.2%	120,109	-3.3%
Money market and savings accounts	285,245	278,867	2.3%	238,706	19.5%
Time deposits	37,995	38,400	-1.1%	50,269	-24.4%
Total deposits	758,718	734,472	3.3%	704,154	7.7%
Borrowings	9,865	9,928	-0.6%	10,174	-3.0%
Other liabilities	5,221	5,014	4.1%	4,767	9.5%
Total liabilities	773,804	749,414	3.3%	719,095	7.6%
Common stock	67,978	67,783	0.3%	65,960	3.1%
Retained earnings	20,683	17,401	18.9%	8,854	133.6%
Other comprehensive income	(1)	(429)	99.8%	(51)	98.3%
Total shareholder's equity	88,660	84,755	4.6%	74,763	18.6%
Total liabilities and equity	862,464	834,169	3.4%	793,858	8.6%

Book value per share

Book value per share	\$ 14.21	\$ 13.59	\$ 12.29
Total shares outstanding EOP	6,241	6,238	6,084

Capital Ratios

Tier 1 leverage ratio	10.3%	9.9%	9.7%
Tier 1 risk-based capital ratio	10.0%	10.2%	9.8%
Tangible common risk-based ratio	10.0%	10.2%	9.8%
Total risk-based capital ratio	12.1%	12.3%	12.1%

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

	For the three months ended					For the twelve months ended		
	12/31/2018	9/30/2018	Change Fav./ (Unfav.)	12/31/2017	Change Fav./ (Unfav.)	12/31/2018	12/31/2017	Change Fav./ (Unfav.)
Interest income	10,323	9,866	4.6%	8,236	25.3%	37,801	30,799	22.7%
Interest expense	812	752	(7.9%)	483	(68.2%)	2,758	1,819	(51.6%)
Net interest income	9,511	9,114	4.4%	7,753	22.7%	35,043	28,980	20.9%
Provision for loan loss	16	98	83.4%	-	NM	273	298	8.3%
Net interest income after provision	9,495	9,016	5.3%	7,753	22.5%	34,770	28,682	21.2%
Other income	315	279	13.0%	287	9.6%	1,221	948	28.9%
Compensation and benefit expenses	3,335	3,301	(1.1%)	2,814	(18.5%)	13,174	11,525	(14.3%)
Occupancy and equipment expenses	606	625	3.1%	617	1.7%	2,450	2,282	(7.3%)
Data processing	420	388	(8.3%)	388	(8.2%)	1,592	1,366	(16.6%)
Professional and legal	161	145	(11.3%)	155	(4.1%)	731	574	(27.5%)
Other operating expenses	503	473	(6.5%)	627	19.7%	2,321	2,547	8.9%
Total operating expenses	5,025	4,932	(1.9%)	4,601	(9.2%)	20,268	18,294	(10.8%)
Net income before taxes	4,785	4,363	9.7%	3,439	39.1%	15,723	11,336	38.7%
Income taxes	1,503	870	(72.8%)	2,838	47.0%	3,894	5,859	33.5%
Net income	3,282	3,493	(6.0%)	601	445.7%	11,829	5,477	116.0%
Earnings Per Share								
Basic earnings per share	\$ 0.53	\$ 0.56	(6.4%)	\$ 0.10	431.9%	\$ 1.92	\$ 0.91	111.8%
Diluted earnings per share	\$ 0.50	\$ 0.53	(6.1%)	\$ 0.09	434.2%	\$ 1.82	\$ 0.87	110.0%
Average shares outstanding	6,160	6,132		6,009		6,092	5,979	
Average diluted shares	6,458	6,454		6,328		6,432	6,259	
Performance Ratios								
Return on average assets	1.52%	1.60%		0.32%		1.41%	0.75%	
Return on average common equity	14.95%	16.64%		3.25%		14.44%	7.67%	
Net interest margin	4.55%	4.32%		4.11%		4.34%	4.05%	
Cost of funds	0.42%	0.39%		0.28%		0.37%	0.28%	
Efficiency ratio	51.2%	52.5%		57.4%		56.2%	61.7%	
Average Balances								
Total assets	857,104	864,605		774,015		834,978	736,754	
Earning assets	829,811	836,348		747,679		807,700	715,782	
Total loans	675,569	665,655		608,584		654,920	594,624	
Total deposits	754,400	763,647		684,233		737,628	649,793	
Common equity	87,084	83,346		75,531		81,583	72,056	

NM = Not Meaningful

Condensed Balance Sheet (5 Quarter Data)

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

	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Cash and due from banks	7,804	9,041	8,842	14,682	7,613
Interest bearing due from banks	67,877	78,598	130,412	154,434	129,952
Total cash and equivalents	75,681	87,639	139,254	169,116	137,565
Investment securities	57,925	59,282	41,326	11,810	12,313
Loans, net of fees	710,939	668,934	653,226	649,994	626,282
Allowance for loan losses	(7,439)	(7,423)	(7,325)	(7,325)	(7,166)
Net loans	703,500	661,511	645,901	642,669	619,116
Premises and equipment, net	2,287	2,371	2,464	2,537	2,627
Other assets and interest receivable	23,071	23,366	24,373	23,796	22,237
Total assets	862,464	834,169	853,318	849,928	793,858
Non-interest-bearing demand	319,358	315,493	298,354	337,201	295,070
Interest bearing transaction	116,120	101,712	108,338	108,399	120,109
Money market and savings accounts	285,245	278,867	302,077	262,503	238,706
Time deposits	37,995	38,400	48,698	50,082	50,269
Total deposits	758,718	734,472	757,467	758,185	704,154
Borrowings	9,865	9,928	9,961	10,059	10,174
Other liabilities	5,221	5,014	5,152	4,466	4,767
Total liabilities	773,804	749,414	772,580	772,710	719,095
Common stock	67,978	67,783	66,995	66,241	65,960
Retained earnings	20,683	17,401	13,908	11,079	8,854
Other comprehensive income	(1)	(429)	(165)	(102)	(51)
Total shareholder's equity	88,660	84,755	80,738	77,218	74,763
Total liabilities and equity	862,464	834,169	853,318	849,928	793,858
Book value per share					
Book value per share	\$ 14.21	\$ 13.59	\$ 13.06	\$ 12.68	\$ 12.29
Total shares outstanding EOP	6,241	6,238	6,184	6,090	6,084
Capital Ratios					
Tier 1 leverage ratio	10.3%	9.9%	9.8%	9.7%	9.7%
Common equity tier 1 capital ratio	10.0%	10.2%	9.9%	9.5%	9.8%
Tier 1 risk-based capital ratio	10.0%	10.2%	9.9%	9.5%	9.8%
Total risk-based capital ratio	12.1%	12.3%	12.1%	11.7%	12.1%

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

	For the three months ended				
	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Interest income	10,323	9,866	9,042	8,570	8,236
Interest expense	812	752	707	487	483
Net interest income	9,511	9,114	8,335	8,083	7,753
Provision for loan loss	16	98	-	159	-
Net interest income after provision	9,495	9,016	8,335	7,924	7,753
Other income	315	279	309	320	287
Compensation and benefit expenses	3,335	3,301	3,254	3,283	2,814
Occupancy and equipment expenses	606	625	602	616	617
Data processing	420	388	400	385	388
Professional and legal	161	145	278	147	155
Other operating expenses	503	473	571	777	627
Total operating expenses	5,025	4,932	5,105	5,208	4,601
Net income before taxes	4,785	4,363	3,539	3,036	3,439
Income taxes	1,503	870	710	811	2,838
Net income	3,282	3,493	2,829	2,225	601
Earnings Per Share					
Basic earnings per share	\$ 0.53	\$ 0.56	\$ 0.46	\$ 0.36	\$ 0.10
Diluted earnings per share	\$ 0.50	\$ 0.53	\$ 0.44	\$ 0.34	\$ 0.09
Average shares outstanding	6,160	6,132	6,053	6,025	6,009
Average diluted shares	6,458	6,454	6,419	6,398	6,328
Performance Ratios					
Return on average assets	1.52%	1.60%	1.38%	1.14%	0.32%
Return on average common equity	14.95%	16.64%	14.31%	11.78%	3.25%
Net interest margin	4.55%	4.32%	4.20%	4.27%	4.11%
Cost of funds	0.42%	0.39%	0.38%	0.28%	0.28%
Efficiency ratio	51.2%	52.5%	59.1%	62.1%	57.4%
Average Balances					
Total assets	857,104	864,605	822,750	794,442	774,015
Earning assets	829,811	836,348	795,498	768,150	747,679
Total loans	675,569	665,655	642,855	635,039	608,584
Total deposits	754,400	763,647	728,532	703,081	684,233
Common equity	87,084	83,346	79,177	76,591	75,531

Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Commercial real estate	328,667	304,123	303,444	283,238	271,346
Land and construction	56,179	55,185	53,771	54,088	44,714
Commercial	176,179	177,747	180,783	201,094	197,748
Personal	34,738	22,505	13,709	17,172	16,295
Residential	38,357	36,552	31,011	33,114	34,174
Multifamily	77,928	73,839	71,505	62,325	63,024
Deferred loan fees	(1,109)	(1,017)	(997)	(1,037)	(1,019)
Loans, net of fees	710,939	668,934	653,226	649,994	626,282
Allowance for loan losses	(7,439)	(7,423)	(7,325)	(7,325)	(7,166)
Net loans	703,500	661,511	645,901	642,669	619,116

Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Non-Accrual Loans	3,746	-	-	-	-
Non-Performing Loans (NPL)	3,746	-	-	-	-
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	3,746	-	-	-	-
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	3,746	-	-	-	-
Quarterly Net Charge-offs	-	-	-	-	-
NPAs / Assets %	0.43%	0.00%	0.00%	0.00%	0.00%
NPAs & 90 Day / Assets %	0.43%	0.00%	0.00%	0.00%	0.00%
NPAs / Actual Loans and OREO %	0.43%	0.00%	0.00%	0.00%	0.00%
Loan Loss Reserves / Loans (%)	1.05%	1.11%	1.12%	1.13%	1.14%

Net Interest Income (Quarterly Data)

(Dollars in Thousands, unaudited)

	For the Three Months Ended					
	12/31/2018			9/30/2018		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 95,949	\$ 543	2.24 %	\$ 116,875	\$ 577	1.96 %
Federal Reserve and Federal Home Loan Bank stock	4,887	128	10.36	4,867	79	6.47
Investment Securities	53,406	421	3.13	48,951	363	2.94
Loans: (2)						
Commercial	171,054	2,560	5.94	182,772	2,591	5.62
Land and Construction	56,796	927	6.48	53,000	856	6.40
Commercial Real Estate	307,474	3,934	5.08	305,632	3,854	5.00
Residential	36,007	547	6.02	32,565	471	5.74
Multifamily	74,159	892	4.77	74,251	872	4.66
Personal	30,079	371	4.90	17,435	203	4.63
Total Loans	675,569	9,231	5.42	665,655	8,847	5.27
Total Earning Assets	829,811	10,323	4.94	836,348	9,866	4.68
Allowance for loan losses	(7,428)			(7,390)		
Cash and cash equivalents	10,101			10,156		
Other assets	24,620			25,491		
Total Assets	\$ 857,104			\$ 864,605		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 102,590	\$ 78	0.30 %	\$ 107,491	\$ 64	0.24 %
Money market deposits	277,247	424	0.61	291,017	364	0.50
Savings deposits	3,925	3	0.30	3,892	3	0.25
Certificates and other time deposits	38,251	96	1.00	43,674	110	1.00
Total Interest-bearing Deposits	422,013	601	0.56	446,074	541	0.48
Borrowings	9,856	211	8.49	9,952	211	8.41
Total Interest-bearing Liabilities	431,869	812	0.75	456,026	752	0.65
Noninterest-bearing deposits	332,387			317,573		
Other liabilities	5,764			7,660		
Total Liabilities	770,020			781,259		
Stockholders' Equity	87,084			83,346		
Total Liabilities and Stockholders' Equity	\$ 857,104			\$ 864,605		
Net Interest Income		\$ 9,511			\$ 9,114	
Net Interest Margin			4.55 %			4.32 %
Cost of Funds			0.42 %			0.39 %
Cost of Deposits			0.32 %			0.28 %

Net Interest Income (Annual Data)

(Dollars in Thousands, unaudited)

	For the Twelve Months Ended					
	12/31/2018			12/31/2017		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 117,354	\$ 2,191	1.87 %	\$ 108,324	\$ 1,183	1.09 %
Federal Reserve and Federal Home Loan Bank stock	4,805	360	7.49	4,505	302	6.70
Investment Securities	30,621	893	2.92	8,329	128	1.54
Loans: (2)						
Commercial	185,747	10,339	5.57	180,630	9,358	5.18
Land and Construction	52,136	3,371	6.47	26,482	1,647	6.22
Commercial Real Estate	295,082	14,650	4.96	269,499	12,838	4.76
Residential	33,123	1,856	5.60	31,615	1,500	4.74
Multifamily	69,637	3,248	4.66	61,246	2,795	4.56
Personal	19,195	893	4.65	25,152	1,048	4.17
Total Loans	654,920	34,357	5.25	594,624	29,186	4.91
Total Earning Assets	807,700	37,801	4.68	715,782	30,799	4.30
Allowance for loan losses	(7,340)			(7,020)		
Cash and cash equivalents	9,776			8,839		
Other assets	24,842			19,153		
Total Assets	\$ 834,978			\$ 736,754		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 107,443	\$ 249	0.23 %	\$ 104,157	\$ 183	0.18 %
Money market deposits	266,057	1,232	0.46	239,776	515	0.21
Savings deposits	3,869	9	0.24	4,550	4	0.10
Certificates and other time deposits	45,434	424	0.93	47,569	273	0.57
Total Interest-bearing Deposits	422,803	1,914	0.45	396,052	975	0.25
Borrowings	9,988	844	8.45	10,066	844	8.39
Total Interest-bearing Liabilities	432,791	2,758	0.64	406,118	1,819	0.45
Noninterest-bearing deposits	314,825			253,741		
Other liabilities	5,779			4,839		
Total Liabilities	753,395			664,698		
Stockholders' Equity	81,583			72,056		
Total Liabilities and Stockholders' Equity	\$ 834,978			\$ 736,754		
Net Interest Income		\$ 35,043			\$ 28,980	
Net Interest Margin			4.34 %			4.05 %
Cost of Funds			0.37 %			0.28 %
Cost of Deposits			0.26 %			0.15 %

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.