



PRESIDIO BANK

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PRESS RELEASE

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FOR IMMEDIATE RELEASE:

PRESIDIO BANK REPORTS RESULTS FOR THE SECOND QUARTER OF 2018

San Francisco, CA, July 30, 2018: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the second quarter ended June 30, 2018 with Net Income of \$2.8 million, up \$600 thousand (27%) from the first quarter of 2018 and up \$1.2 million (78%) from the second quarter of 2017. Total Assets were \$853 million at June 30, 2018, up \$3 million from March 31, 2018 and up \$107 million from June 30, 2017.

“While asset growth was modest in the second quarter, the Bank continues to significantly improve its profitability and efficiency,” said Presidio Bank CEO Steve Heitel. “Our Return on Assets and Return on Equity are both up more than 50% from the same period a year ago.”

Financial Highlights

- Total Loans Outstanding were up \$3 million from the quarter ending March 31, 2018 and up \$50 million from June 30, 2017 or 8%. New Loan Originations were \$50 million, down from \$80 million in the exceptionally strong first quarter of 2018. Loan growth was centered in Commercial Real Estate and Multi Family loans, which offset a decline in Commercial and Industrial loans. The decline in Commercial and Industrial loans was due to seasonal pay downs and several borrowers that sold assets during the quarter and reduced line of credit balances with the proceeds.
- Total Deposits decreased by \$1 million from the quarter ended March 31, 2018 and increased by \$98 million from June 30, 2017 or 15%. Year-to-date, deposits are up \$53 million. During the quarter ended June 30, 2018, the decline in Non-Interest Bearing Demand Deposits was offset by a like increase in Money Market Deposits. Despite the decline, Non-Interest Bearing Demand Deposits still represent 39% of Total Deposits.
- Net Interest Income of \$8.3 million in the second quarter of 2018 was up 3% from the first quarter of 2018 and up 21% from the second 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 decreased during the quarter to 4.20% from 4.27% in the first quarter of 2018 due to higher deposit costs and higher levels of liquid assets maintained during the quarter which more than offset higher loan yields. Cost of Deposits increased from 0.16% to 0.27% as the Bank increased rates on deposits in response to market forces. In June, the Bank increased its investment securities portfolio by \$30 million which should increase the yield on liquid assets in future quarters.
- Operating Expenses decreased by 2% over the first quarter of 2018. This decrease largely due to a reduction in Employer Paid Taxes and Employee Benefits Expense from the seasonal high in the first quarter, which more than offset an increase in incentive compensation due to above budget deposit growth in the first half of the year. Operating Expenses increased 17% over the second 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



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Walnut Creek facility and higher data processing costs. The Bank's efficiency ratio improved from 62% in the first quarter of 2018 to 59% in the second quarter of 2018.

- Year-over-year revenue growth is 24% while year-over-year expense growth is 14%.
- Credit Quality remains stable and strong with a Classified to Capital Ratio of 2.6% at June, 30 2018. The Loan Loss Provision Expense for the second quarter was zero due to modest growth in the loan portfolio and a \$500 thousand reduction in Classified Loans. Total Criticized and Classified Loans are up \$5 million from March 31, 2018 and represent 5% of Loan Commitments and 4% of Loans Outstanding at June 30, 2018. The Bank has no Non-Performing Loans.
- Diluted Earnings per Common Share were \$0.44 for the quarter, up from \$0.34 in the first quarter of 2018 and up from \$0.26 in the second quarter of 2017
- Book Value per Share increased to \$13.06 per share at June 30, 2018 from \$12.68 per share at March 31, 2018 and \$11.75 per share at June 30, 2017.

“With the recent promotions of Clay Jones to President and Karol Watson to Executive Vice President, Chief Operations Officer, the Bank has internally filled two important roles and evidenced its management depth,” said Presidio Bank Chairman and Founder, Jim Woolwine. “These moves reward two executives that have been instrumental in our success and position the Bank for continued growth.”

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2nd Quarter 2018 Financial Results

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

Condensed Balance Sheet

	6/30/2018	3/31/2018	Change	6/30/2017	Change	12/31/2017	Change
Cash and due from banks	8,842	14,682	-39.8%	9,789	-9.7%	7,613	16.2%
Interest bearing due from banks	130,412	154,434	-15.6%	101,532	28.4%	129,952	0.4%
Total cash and equivalents	139,254	169,116	-17.7%	111,321	25.1%	137,565	1.2%
Investment securities	41,326	11,810	249.9%	12,736	224.5%	12,313	235.6%
Loans, net of fees	653,226	649,994	0.5%	603,689	8.2%	626,282	4.3%
Allowance for loan losses	(7,325)	(7,325)	0.0%	(7,014)	4.4%	(7,166)	2.2%
Net loans	645,901	642,669	0.5%	596,675	8.3%	619,116	4.3%
Premises and equipment, net	2,464	2,537	-2.9%	1,335	84.6%	2,627	-6.2%
Other assets and interest receivable	24,373	23,796	2.4%	24,159	0.9%	22,237	9.6%
Total assets	853,318	849,928	0.4%	746,226	14.4%	793,858	7.5%
Non-interest-bearing demand	298,354	337,201	-11.5%	250,344	19.2%	295,070	1.1%
Interest bearing transaction	108,338	108,399	-0.1%	103,727	4.4%	120,109	-9.8%
Money market and savings accounts	302,077	262,503	15.1%	258,564	16.8%	238,706	26.5%
Time deposits	48,698	50,082	-2.8%	47,293	3.0%	50,269	-3.1%
Total deposits	757,467	758,185	-0.1%	659,928	14.8%	704,154	7.6%
Borrowings	9,961	10,059	-1.0%	10,152	NM	10,174	-2.1%
Other liabilities	5,152	4,466	15.4%	4,837	6.5%	4,767	8.1%
Total liabilities	772,580	772,710	0.0%	674,917	14.5%	719,095	7.4%
Common stock	66,995	66,241	1.1%	65,185	2.8%	65,960	1.6%
Retained earnings	13,908	11,079	25.5%	6,173	125.3%	8,854	57.1%
Other comprehensive income	(165)	(102)	61.4%	(49)	236.1%	(51)	220.2%
Total shareholder's equity	80,738	77,218	4.6%	71,309	13.2%	74,763	8.0%
Total liabilities and equity	853,318	849,928	0.4%	746,226	14.4%	793,858	7.5%

Book value per share

Book value per share	\$ 13.06	\$ 12.68		\$ 11.75		\$ 12.29
Total shares outstanding EOP	6,184	6,090		6,069		6,084

Capital Ratios

Tier 1 leverage ratio	9.8%	9.7%		10.0%		9.7%
Tier 1 risk-based capital ratio	9.9%	9.5%		9.6%		9.8%
Tangible common risk-based ratio	9.9%	9.5%		9.6%		9.8%
Total risk-based capital ratio	12.1%	11.7%		12.0%		12.1%

Condensed Statement of Income

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

	For the three months ended					For the six months ended		
	6/30/2018	3/31/2018	Change Fav./ (Unfav.)	6/30/2017	Change Fav./ (Unfav.)	6/30/2018	6/30/2017	Change Fav./ (Unfav.)
Interest income	9,042	8,570	5.5%	7,349	23.0%	17,612	14,202	24.0%
Interest expense	707	487	(45.0%)	442	(59.9%)	1,194	865	(38.1%)
Net interest income	8,335	8,083	3.1%	6,907	20.7%	16,418	13,337	23.1%
Provision for loan loss	-	159	NM	198	NM	159	198	19.7%
Net interest income after provision	8,335	7,924	5.2%	6,709	24.2%	16,259	13,139	23.7%
Other income	309	320	(3.5%)	191	61.5%	629	393	60.1%
Compensation and benefit expenses	3,254	3,283	0.9%	2,736	(18.9%)	6,537	5,674	(15.2%)
Occupancy and equipment expenses	602	616	2.3%	518	(16.2%)	1,218	1,038	(17.4%)
Data processing	400	385	(4.1%)	326	(22.6%)	785	632	(24.1%)
Professional and legal	278	147	(89.2%)	203	(37.1%)	425	342	(24.3%)
Other operating expenses	571	777	26.5%	586	2.5%	1,348	1,387	2.8%
Total operating expenses	5,105	5,208	2.0%	4,369	(16.9%)	10,313	9,073	(13.7%)
Net income before taxes	3,539	3,036	16.6%	2,531	39.8%	6,575	4,459	47.5%
Income taxes	710	811	12.5%	939	24.4%	1,521	1,663	8.5%
Net income	2,829	2,225	27.2%	1,592	77.7%	5,054	2,796	80.8%
Earnings Per Share								
Basic earnings per share	\$ 0.46	\$ 0.36	26.6%	\$ 0.27	73.2%	\$ 0.83	\$ 0.47	76.0%
Diluted earnings per share	\$ 0.44	\$ 0.34	26.8%	\$ 0.26	70.5%	\$ 0.78	\$ 0.45	73.0%
Average shares outstanding	6,053	6,025		5,899		6,038	5,881	
Average diluted shares	6,419	6,398		6,157		6,409	6,136	
Performance Ratios								
Return on average assets	1.38%	1.14%		0.90%		1.26%	0.79%	
Return on average common equity	14.31%	11.78%		9.03%		13.06%	8.07%	
Net interest margin	4.20%	4.27%		3.98%		4.23%	3.86%	
Cost of funds	0.38%	0.28%		0.28%		0.33%	0.27%	
Efficiency ratio	59.1%	62.1%		61.6%		60.6%	66.3%	
Average Balances								
Total assets	822,750	794,442		711,847		808,674	711,982	
Earning assets	795,498	768,150		695,297		781,899	696,726	
Total loans	642,855	635,039		588,980		638,968	578,445	
Total deposits	728,532	703,081		627,004		715,877	627,310	
Common equity	79,177	76,591		70,741		77,891	69,756	

NM = Not Meaningful

Condensed Balance Sheet (5 Quarter Data)

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

	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Cash and due from banks	8,842	14,682	7,613	10,677	9,789
Interest bearing due from banks	130,412	154,434	129,952	126,277	101,532
Total cash and equivalents	139,254	169,116	137,565	136,954	111,321
Investment securities	41,326	11,810	12,313	12,801	12,736
Loans, net of fees	653,226	649,994	626,282	617,269	603,689
Allowance for loan losses	(7,325)	(7,325)	(7,166)	(7,166)	(7,014)
Net loans	645,901	642,669	619,116	610,103	596,675
Premises and equipment, net	2,464	2,537	2,627	2,452	1,335
Other assets and interest receivable	24,373	23,796	22,237	23,312	24,159
Total assets	853,318	849,928	793,858	785,622	746,226
Non-interest-bearing demand	298,354	337,201	295,070	304,726	250,344
Interest bearing transaction	108,338	108,399	120,109	98,019	103,727
Money market and savings accounts	302,077	262,503	238,706	247,857	258,564
Time deposits	48,698	50,082	50,269	46,871	47,293
Total deposits	757,467	758,185	704,154	697,473	659,928
Borrowings	9,961	10,059	10,174	10,346	10,152
Other liabilities	5,152	4,466	4,767	4,001	4,837
Total liabilities	772,580	772,710	719,095	711,820	674,917
Common stock	66,995	66,241	65,960	65,585	65,185
Retained earnings	13,908	11,079	8,854	8,252	6,173
Other comprehensive income	(165)	(102)	(51)	(35)	(49)
Total shareholder's equity	80,738	77,218	74,763	73,802	71,309
Total liabilities and equity	853,318	849,928	793,858	785,622	746,226
Book value per share					
Book value per share	\$ 13.06	\$ 12.68	\$ 12.29	\$ 12.15	\$ 11.75
Total shares outstanding EOP	6,184	6,090	6,084	6,074	6,069
Capital Ratios					
Tier 1 leverage ratio	9.8%	9.7%	9.7%	9.9%	10.0%
Common equity tier 1 capital ratio	9.9%	9.5%	9.8%	9.8%	9.6%
Tier 1 risk-based capital ratio	9.9%	9.5%	9.8%	9.8%	9.6%
Total risk-based capital ratio	12.1%	11.7%	12.1%	12.2%	12.0%

Condensed Statement of Income (5 Quarter Data)

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

	For the three months ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Interest income	9,042	8,570	8,236	8,362	7,349
Interest expense	707	487	483	472	442
Net interest income	8,335	8,083	7,753	7,890	6,907
Provision for loan loss	-	159	-	100	198
Net interest income after provision	8,335	7,924	7,753	7,790	6,709
Other income	309	320	287	268	191
Compensation and benefit expenses	3,254	3,283	2,814	3,036	2,736
Occupancy and equipment expenses	602	616	617	628	518
Data processing	400	385	388	346	326
Professional and legal	278	147	155	77	203
Other operating expenses	571	777	627	533	586
Total operating expenses	5,105	5,208	4,601	4,620	4,369
Net income before taxes	3,539	3,036	3,439	3,438	2,531
Income taxes	710	811	2,838	1,358	939
Net income	2,829	2,225	601	2,080	1,592

Earnings Per Share

Basic earnings per share	\$ 0.46	\$ 0.36	\$ 0.10	\$ 0.33	\$ 0.27
Diluted earnings per share	\$ 0.44	\$ 0.34	\$ 0.09	\$ 0.32	\$ 0.26
Average shares outstanding	6,053	6,025	6,009	6,001	5,899
Average diluted shares	6,419	6,398	6,328	6,277	6,157

Performance Ratios

Return on average assets	1.38%	1.14%	0.32%	1.10%	0.90%
Return on average common equity	14.31%	11.78%	3.25%	11.31%	9.03%
Net interest margin	4.20%	4.27%	4.11%	4.34%	3.98%
Cost of funds	0.38%	0.28%	0.28%	0.28%	0.28%
Efficiency ratio	59.1%	62.1%	57.4%	57.0%	61.6%

Average Balances

Total assets	822,750	794,442	774,015	748,229	711,847
Earning assets	795,498	768,150	747,679	721,374	695,297
Total loans	642,855	635,039	608,584	612,493	588,980
Total deposits	728,532	703,081	684,233	660,790	627,004
Common equity	79,177	76,591	75,531	73,108	70,741

Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Commercial real estate	303,444	283,238	271,346	268,357	275,189
Land and construction	53,771	54,088	44,714	39,599	22,657
Commercial	180,783	201,094	197,748	194,884	187,537
Personal	13,709	17,172	16,295	21,292	23,008
Residential	31,011	33,114	34,174	34,389	33,671
Multifamily	71,505	62,325	63,024	59,764	62,634
Deferred loan fees	(997)	(1,037)	(1,019)	(1,016)	(1,007)
Loans	653,226	649,994	626,282	617,269	603,689
Allowance for loan losses	(7,325)	(7,325)	(7,166)	(7,166)	(7,015)
Net loans	645,901	642,669	619,116	610,103	596,675

Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Non-Accrual Loans	-	-	-	-	991
Non-Performing Loans (NPL)	-	-	-	-	991
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	-	-	-	-	991
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	-	-	-	-	991
Quarterly Net Charge-offs	-	-	-	(51)	51
NPAs / Assets %	0.00%	0.00%	0.00%	0.00%	0.13%
NPAs & 90 Day / Assets %	0.00%	0.00%	0.00%	0.00%	0.13%
NPAs / Actual Loans and OREO %	0.00%	0.00%	0.00%	0.00%	0.13%
Loan Loss Reserves / Loans (%)	1.12%	1.13%	1.14%	1.16%	1.16%

Net Interest Income (Quarterly Data)

(Dollars in Thousands, unaudited)

	For the Three Months Ended					
	6/30/2018			3/31/2018		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 135,803	\$ 569	1.68 %	\$ 121,072	\$ 501	1.68 %
Federal Reserve and Federal Home Loan Bank stock	4,806	76	6.35	4,655	77	6.70
Investment Securities	12,034	78	2.59	7,384	31	1.69
Loans: (2)						
Commercial	190,167	2,589	5.46	199,340	2,579	5.25
Land and Construction	52,828	762	5.79	45,791	772	6.83
Commercial Real Estate	288,246	3,619	5.04	278,540	3,317	4.83
Residential	31,297	426	5.46	32,592	412	5.12
Multifamily	67,247	776	4.63	62,715	708	4.58
Personal	13,070	147	4.51	16,061	173	4.37
Total Loans	642,855	8,319	5.19	635,039	7,961	5.08
Total Earning Assets	795,498	9,042	4.56	768,150	8,570	4.52
Allowance for loan losses	(7,325)			(7,219)		
Cash and cash equivalents	9,295			9,543		
Other assets	25,282			23,968		
Total Assets	\$ 822,750			\$ 794,442		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 112,088	\$ 67	0.24 %	\$ 107,657	\$ 41	0.15 %
Money market deposits	258,372	306	0.47	236,876	138	0.24
Savings deposits	3,846	2	0.25	3,812	1	0.14
Certificates and other time deposits	49,729	121	0.97	50,230	96	0.78
Total Interest-bearing Deposits	424,035	496	0.47	398,575	276	0.28
Borrowings	10,059	211	8.41	10,088	211	8.48
Total Interest-bearing Liabilities	434,094	707	0.65	408,663	487	0.48
Noninterest-bearing deposits	304,497			304,506		
Other liabilities	4,982			4,682		
Total Liabilities	743,573			717,851		
Stockholders' Equity	79,177			76,591		
Total Liabilities and Stockholders' Equity	\$ 822,750			\$ 794,442		
Net Interest Income		\$ 8,335			\$ 8,083	
Net Interest Margin			4.20 %			4.27 %
Cost of Funds			0.38 %			0.28 %
Cost of Deposits			0.27 %			0.16 %

Net Interest Income (Annual Data)

(Dollars in Thousands, unaudited)

	For the Six Months Ended					
	6/30/2018			6/30/2017		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 128,478	\$ 1,071	1.68 %	\$ 105,319	\$ 483	0.93 %
Federal Reserve and Federal Home Loan Bank stock	4,731	153	6.52	4,374	151	6.95
Investment Securities	9,722	108	2.25	8,589	64	1.50
Loans: (2)						
Commercial	194,728	5,189	5.37	174,400	4,133	4.78
Land and Construction	49,329	1,588	6.49	15,360	469	6.15
Commercial Real Estate	283,420	6,862	4.88	267,966	6,227	4.69
Residential	31,941	838	5.29	29,446	666	4.56
Multifamily	64,993	1,484	4.60	61,279	1,393	4.58
Personal	14,557	319	4.41	29,994	616	4.14
Total Loans	638,968	16,280	5.14	578,445	13,504	4.71
Total Earning Assets	781,899	17,612	4.54	696,726	14,202	4.11
Allowance for loan losses	(7,272)			(6,884)		
Cash and cash equivalents	9,418			9,144		
Other assets	24,629			12,996		
Total Assets	\$ 808,674			\$ 711,982		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 109,885	\$ 108	0.20 %	\$ 102,725	\$ 95	0.19 %
Money market deposits	247,683	444	0.36	234,166	235	0.20
Savings deposits	3,829	4	0.20	4,393	2	0.09
Certificates and other time deposits	49,978	216	0.88	46,943	110	0.47
Total Interest-bearing Deposits	411,375	772	0.38	388,228	443	0.23
Borrowings	10,074	422	8.45	9,884	422	8.61
Total Interest-bearing Liabilities	421,449	1,194	0.57	398,113	865	0.44
Noninterest-bearing deposits	304,502			239,082		
Other liabilities	4,832			5,032		
Total Liabilities	730,783			642,226		
Stockholders' Equity	77,891			69,756		
Total Liabilities and Stockholders' Equity	\$ 808,674			\$ 711,982		
Net Interest Income		\$ 16,418			\$ 13,337	
Net Interest Margin			4.23 %			3.86 %
Cost of Funds			0.33 %			0.27 %
Cost of Deposits			0.22 %			0.14 %

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.