



PRESIDIO BANK

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PRESS RELEASE

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FOR IMMEDIATE RELEASE:

PRESIDIO BANK REPORTS FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2018

San Francisco, CA, October 22, 2018: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the third quarter ended September 30, 2018 with Net Income of \$3.5 million, up \$664 thousand (24%) from the second quarter of 2018 and up \$1.4 million (68%) from the third quarter of 2017. Diluted Earnings per Share were \$0.53 for the quarter, up from \$0.44 in the second quarter of 2018 and up from \$0.32 in the third quarter of 2017. Total Assets were \$834 million at September 30, 2018, down \$19 million from June 30, 2018 but up \$49 million from September 30, 2017.

“Moderate loan growth combined with good expense control and increasing margins resulted in another quarter of strong profitability growth for the Bank,” said Presidio Bank CEO Steve Heitel. “Our Return on Assets and Return on Equity once again reached new highs.”

Financial Highlights

- Total Loans Outstanding were up \$16 million from the quarter ending June 30, 2018 and up \$52 million from September 30, 2017 or 8%. New Loan Originations were \$42 million, down from \$50 million in the second quarter of 2018. Loan growth was centered in Personal Lines of Credit and Home Equity Lines. Despite relatively soft originations in the third quarter, the loan pipeline remains solid heading into the fourth quarter.
- Total Deposits decreased by \$23 million from the quarter ended June 30, 2018 and increased by \$37 million from September 30, 2017 or 5%. During the quarter ended June 30, 2018, the decline in Money Market Deposits and Time Deposits was partially offset by an increase in Demand Deposits which now account for 43% of total deposits. The decline in Time Deposits was due to the Bank’s decision to not renew a \$10 million Certificate of Deposit from the State of California.
- Net Interest Income of \$9.1 million in the third quarter of 2018 was up 9% from the second quarter of 2018 and up 15.5% from the third quarter of 2017. This increase is due to higher average loan and securities balances, increased loan yields, and increased interest rates on liquid assets invested by the Bank. Net Interest Margin increased during the quarter to 4.32% from 4.20% in the second quarter of 2018 due to lower levels of liquid assets maintained combined with higher loan yields, and a larger securities portfolio. The Bank’s Cost of Funds remained essentially flat from the second quarter.
- Operating Expenses decreased by 3.4% over the second quarter of 2018. This decrease was largely due to a reduction in Professional and Legal Expense due to some one-time expenses that were incurred in the second quarter. In addition, the Loss Reserve for Unfunded Loans was decreased by \$113 thousand, booked as a contra expense. This decrease was due primarily to a decrease in unfunded construction loans. The Bank’s efficiency ratio improved from 59% in the second quarter of 2018 to 53% in the third quarter of 2018.
- Year-over-year revenue growth is 21% while year-over-year expense growth is 11%.



PRESIDIO BANK

- Credit Quality remains stable and strong with a Classified to Capital Ratio of 2.6% at September 30, 2018. The Loan Loss Provision Expense for the third quarter was \$98 thousand due to growth in the loan portfolio. The Bank has one classified relationship and thirteen criticized relationships. Balances on Classified and Criticized Loans increased by \$1.2 million during the quarter. Total Criticized and Classified Loans represent 3% of Loan Commitments and 4% of Loans Outstanding at September 30, 2018. The Bank has no Non-Performing Loans.
- Book Value per Share increased to \$13.59 per share at September 30, 2018 from \$13.06 per share at June 30, 2018 and \$12.15 per share at September 30, 2017.

“Presidio Bank is honored to be nominated as one of three finalists for the San Francisco Chamber of Commerce 2018 Excellence in Business Award,” said Presidio Bank Chairman and Founder, Jim Woolwine. “In addition, the Bank was once again recognized by the San Francisco Business Times as one of the Bay Area’s top corporate philanthropists.

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3rd Quarter 2018 Financial Results

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

Condensed Balance Sheet

	9/30/2018	6/30/2018	Change	9/30/2017	Change	12/31/2017	Change
Cash and due from banks	9,041	8,842	2.3%	10,677	-15.3%	7,613	18.8%
Interest bearing due from banks	78,598	130,412	-39.7%	126,277	-37.8%	129,952	-39.5%
Total cash and equivalents	87,639	139,254	-37.1%	136,954	-36.0%	137,565	-36.3%
Investment securities	59,282	41,326	43.4%	12,801	363.1%	12,313	381.5%
Loans, net of fees	668,934	653,226	2.4%	617,269	8.4%	626,282	6.8%
Allowance for loan losses	(7,423)	(7,325)	1.3%	(7,166)	3.6%	(7,166)	3.6%
Net loans	661,511	645,901	2.4%	610,103	8.4%	619,116	6.8%
Premises and equipment, net	2,371	2,464	-3.8%	2,452	-3.3%	2,627	-9.8%
Other assets and interest receivable	23,366	24,373	-4.1%	23,312	0.2%	22,237	5.1%
Total assets	834,169	853,318	-2.2%	785,622	6.2%	793,858	5.1%
Non-interest-bearing demand	315,493	298,354	5.7%	304,726	3.5%	295,070	6.9%
Interest bearing transaction	101,712	108,338	-6.1%	98,019	3.8%	120,109	-15.3%
Money market and savings accounts	278,867	302,077	-7.7%	247,857	12.5%	238,706	16.8%
Time deposits	38,400	48,698	-21.1%	46,871	-18.1%	50,269	-23.6%
Total deposits	734,472	757,467	-3.0%	697,473	5.3%	704,154	4.3%
Borrowings	9,928	9,961	-0.3%	10,346	-4.0%	10,174	-2.4%
Other liabilities	5,014	5,152	-2.7%	4,001	25.3%	4,767	5.2%
Total liabilities	749,414	772,580	-3.0%	711,820	5.3%	719,095	4.2%
Common stock	67,783	66,995	1.2%	65,585	3.4%	65,960	2.8%
Retained earnings	17,401	13,908	25.1%	8,252	110.9%	8,854	96.5%
Other comprehensive income	(429)	(165)	160.3%	(35)	1131.9%	(51)	733.6%
Total shareholder's equity	84,755	80,738	5.0%	73,802	14.8%	74,763	13.4%
Total liabilities and equity	834,169	853,318	-2.2%	785,622	6.2%	793,858	5.1%
Book value per share							
Book value per share	\$ 13.59	\$ 13.06		\$ 12.15		\$ 12.29	
Total shares outstanding EOP	6,238	6,184		6,074		6,084	
Capital Ratios							
Tier 1 leverage ratio	9.9%	9.8%		9.9%		9.7%	
Tier 1 risk-based capital ratio	10.0%	9.9%		9.8%		9.8%	
Tangible common risk-based ratio	10.0%	9.9%		9.8%		9.8%	
Total risk-based capital ratio	12.2%	12.1%		12.2%		12.1%	

Condensed Statement of Income

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

	For the Three Months Ended					For the Nine Months Ended		
	9/30/2018	6/30/2018	Change Fav./ (Unfav.)	9/30/2017	Change Fav./ (Unfav.)	9/30/2018	9/30/2017	Change Fav./ (Unfav.)
Interest income	9,866	9,042	9.1%	8,362	18.0%	27,478	22,563	21.8%
Interest expense	752	707	(6.4%)	472	(59.4%)	1,946	1,336	(45.6%)
Net interest income	9,114	8,335	9.3%	7,890	15.5%	25,532	21,227	20.3%
Provision for loan loss	98	-	NM	100	2.2%	257	298	13.7%
Net interest income after provision	9,016	8,335	8.2%	7,790	15.7%	25,275	20,929	20.8%
Other income	279	309	(9.7%)	268	4.1%	907	660	37.3%
Compensation and benefit expenses	3,301	3,254	(1.4%)	3,036	(8.7%)	9,838	8,711	(12.9%)
Occupancy and equipment expenses	625	602	(3.9%)	628	0.4%	1,844	1,665	(10.7%)
Data processing	388	400	3.1%	346	(12.2%)	1,173	977	(20.0%)
Professional and legal	145	278	48.0%	77	(89.0%)	570	419	(36.1%)
Other operating expenses	473	571	17.2%	533	11.2%	1,818	1,921	5.4%
Total operating expenses	4,932	5,105	3.4%	4,620	(6.8%)	15,243	13,693	(11.3%)
Net income before taxes	4,363	3,539	23.3%	3,438	26.9%	10,939	7,896	38.5%
Income taxes	870	710	(22.5%)	1,358	35.9%	2,391	3,021	20.9%
Net income	3,493	2,829	23.5%	2,080	67.9%	8,548	4,875	75.3%
Earnings Per Share								
Basic earnings per share	\$ 0.56	\$ 0.46	21.9%	\$ 0.33	69.2%	\$ 1.39	\$ 0.81	72.7%
Diluted earnings per share	\$ 0.53	\$ 0.44	22.9%	\$ 0.32	68.2%	\$ 1.31	\$ 0.77	70.4%
Average shares outstanding	6,132	6,053		6,001		6,070	5,968	
Average diluted shares	6,454	6,419		6,277		6,424	6,232	
Performance Ratios								
Return on average assets	1.60%	1.38%		1.10%		1.37%	0.90%	
Return on average common equity	16.64%	14.31%		11.31%		14.27%	9.16%	
Net interest margin	4.32%	4.20%		4.34%		4.27%	4.03%	
Cost of funds	0.39%	0.38%		0.28%		0.35%	0.28%	
Efficiency ratio	52.5%	59.1%		57.0%		57.9%	63.1%	
Average Balances								
Total assets	864,605	822,750		748,229		827,522	724,197	
Earning assets	836,348	795,498		721,374		800,248	705,032	
Total loans	665,655	642,855		612,493		647,961	589,918	
Total deposits	763,647	728,532		660,790		731,975	638,390	
Common equity	83,346	79,177		73,108		79,730	70,886	

NM = Not Meaningful

Condensed Balance Sheet (5 Quarter Data)

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

	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Cash and due from banks	9,041	8,842	14,682	7,613	10,677
Interest bearing due from banks	78,598	130,412	154,434	129,952	126,277
Total cash and equivalents	87,639	139,254	169,116	137,565	136,954
Investment securities	59,282	41,326	11,810	12,313	12,801
Loans, net of fees	668,934	653,226	649,994	626,282	617,269
Allowance for loan losses	(7,423)	(7,325)	(7,325)	(7,166)	(7,166)
Net loans	661,511	645,901	642,669	619,116	610,103
Premises and equipment, net	2,371	2,464	2,537	2,627	2,452
Other assets and interest receivable	23,366	24,373	23,796	22,237	23,312
Total assets	834,169	853,318	849,928	793,858	785,622
Non-interest-bearing demand	315,493	298,354	337,201	295,070	304,726
Interest bearing transaction	101,712	108,338	108,399	120,109	98,019
Money market and savings accounts	278,867	302,077	262,503	238,706	247,857
Time deposits	38,400	48,698	50,082	50,269	46,871
Total deposits	734,472	757,467	758,185	704,154	697,473
Borrowings	9,928	9,961	10,059	10,174	10,346
Other liabilities	5,014	5,152	4,466	4,767	4,001
Total liabilities	749,414	772,580	772,710	719,095	711,820
Common stock	67,783	66,995	66,241	65,960	65,585
Retained earnings	17,401	13,908	11,079	8,854	8,252
Other comprehensive income	(429)	(165)	(102)	(51)	(35)
Total shareholder's equity	84,755	80,738	77,218	74,763	73,802
Total liabilities and equity	834,169	853,318	849,928	793,858	785,622
Book value per share					
Book value per share	\$ 13.59	\$ 13.06	\$ 12.68	\$ 12.29	\$ 12.15
Total shares outstanding EOP	6,238	6,184	6,090	6,084	6,074
Capital Ratios					
Tier 1 leverage ratio	9.9%	9.8%	9.7%	9.7%	9.9%
Common equity tier 1 capital ratio	10.0%	9.9%	9.5%	9.8%	9.8%
Tier 1 risk-based capital ratio	10.0%	9.9%	9.5%	9.8%	9.8%
Total risk-based capital ratio	12.2%	12.1%	11.7%	12.1%	12.2%

Condensed Statement of Income (5 Quarter Data)

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

	For the Three Months Ended				
	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Interest income	9,866	9,042	8,570	8,236	8,362
Interest expense	752	707	487	483	472
Net interest income	9,114	8,335	8,083	7,753	7,890
Provision for loan loss	98	-	159	-	100
Net interest income after provision	9,016	8,335	7,924	7,753	7,790
Other income	279	309	320	287	268
Compensation and benefit expenses	3,301	3,254	3,283	2,814	3,036
Occupancy and equipment expenses	625	602	616	617	628
Data processing	388	400	385	388	346
Professional and legal	145	278	147	155	77
Other operating expenses	473	571	777	627	533
Total operating expenses	4,932	5,105	5,208	4,601	4,620
Net income before taxes	4,363	3,539	3,036	3,439	3,438
Income taxes	870	710	811	2,838	1,358
Net income	3,493	2,829	2,225	601	2,080

Earnings Per Share

Basic earnings per share	\$ 0.56	\$ 0.46	\$ 0.36	\$ 0.10	\$ 0.33
Diluted earnings per share	\$ 0.53	\$ 0.44	\$ 0.34	\$ 0.09	\$ 0.32
Average shares outstanding	6,132	6,053	6,025	6,009	6,001
Average diluted shares	6,454	6,419	6,398	6,328	6,277

Performance Ratios

Return on average assets	1.60%	1.38%	1.14%	0.32%	1.10%
Return on average common equity	16.64%	14.31%	11.78%	3.25%	11.31%
Net interest margin	4.32%	4.20%	4.27%	4.11%	4.34%
Cost of funds	0.39%	0.38%	0.28%	0.28%	0.28%
Efficiency ratio	52.5%	59.1%	62.1%	57.4%	57.0%

Average Balances

Total assets	864,605	822,750	794,442	774,015	748,229
Earning assets	836,348	795,498	768,150	747,679	721,374
Total loans	665,655	642,855	635,039	608,584	612,493
Total deposits	763,647	728,532	703,081	684,233	660,790
Common equity	83,346	79,177	76,591	75,531	73,108

Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Commercial real estate	304,123	303,444	283,238	271,346	268,357
Land and construction	55,185	53,771	54,088	44,714	39,599
Commercial	177,747	180,783	201,094	197,748	194,884
Personal	22,505	13,709	17,172	16,295	21,292
Residential	36,552	31,011	33,114	34,174	34,389
Multifamily	73,839	71,505	62,325	63,024	59,764
Deferred loan fees	(1,017)	(997)	(1,037)	(1,019)	(1,016)
Loans	668,934	653,226	649,994	626,282	617,269
Allowance for loan losses	(7,423)	(7,325)	(7,325)	(7,166)	(7,166)
Net loans	661,511	645,901	642,669	619,116	610,103

Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Non-Accrual Loans	-	-	-	-	-
Non-Performing Loans (NPL)	-	-	-	-	-
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	-	-	-	-	-
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	-	-	-	-	-
Quarterly Net Charge-offs	-	-	-	-	(51)
NPAs / Assets %	0.00%	0.00%	0.00%	0.00%	0.00%
NPAs & 90 Day / Assets %	0.00%	0.00%	0.00%	0.00%	0.00%
NPAs / Actual Loans and OREO %	0.00%	0.00%	0.00%	0.00%	0.00%
Loan Loss Reserves / Loans (%)	1.11%	1.12%	1.13%	1.14%	1.16%

Net Interest Income (Quarterly Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	9/30/2018			6/30/2018		
	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 116,875	\$ 577	1.96 %	\$ 135,803	\$ 569	1.68 %
Federal Reserve and Federal Home Loan Bank stock	4,867	79	6.47	4,806	76	6.35
Investment Securities	48,951	363	2.94	12,034	78	2.59
Loans: (2)						
Commercial	182,772	2,591	5.62	190,167	2,610	5.51
Land and Construction	53,000	856	6.40	52,828	816	6.20
Commercial Real Estate	305,632	3,854	5.00	288,246	3,546	4.93
Residential	32,565	471	5.74	31,297	426	5.46
Multifamily	74,251	872	4.66	67,247	776	4.63
Personal	17,435	203	4.63	13,070	145	4.47
Total Loans	665,655	8,847	5.27	642,855	8,319	5.19
Total Earning Assets	836,348	9,866	4.68	795,498	9,042	4.56
Allowance for loan losses	(7,390)			(7,325)		
Cash and cash equivalents	10,156			9,295		
Other assets	25,491			25,282		
Total Assets	\$ 864,605			\$ 822,750		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 107,491	\$ 64	0.24 %	\$ 112,088	\$ 67	0.24 %
Money market deposits	291,017	364	0.50	258,372	306	0.47
Savings deposits	3,892	3	0.25	3,846	2	0.25
Certificates and other time deposits	43,674	110	1.00	49,729	121	0.97
Total Interest-bearing Deposits	446,074	541	0.48	424,035	496	0.47
Borrowings	9,952	211	8.41	10,059	211	8.41
Total Interest-bearing Liabilities	456,026	752	0.65	434,094	707	0.65
Noninterest-bearing deposits	317,573			304,497		
Other liabilities	7,660			4,982		
Total Liabilities	781,259			743,573		
Stockholders' Equity	83,346			79,177		
Total Liabilities and Stockholders' Equity	\$ 864,605			\$ 822,750		
Net Interest Income		\$ 9,114			\$ 8,335	
Net Interest Margin			4.32 %			4.20 %
Cost of Funds			0.39 %			0.38 %
Cost of Deposits			0.28 %			0.27 %

Net Interest Income (Annual Data)

(Dollars in Thousands, unaudited)

For the Nine Months Ended

	9/30/2018			9/30/2017		
	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 124,568	\$ 1,648	1.77 %	\$ 102,188	\$ 807	1.06 %
Federal Reserve and Federal Home Loan Bank stock	4,777	232	6.50	4,459	225	6.75
Investment Securities	22,942	472	2.75	8,467	96	1.52
Loans: (2)						
Commercial	190,699	7,779	5.45	178,945	6,910	5.16
Land and Construction	50,566	2,444	6.46	21,234	992	6.25
Commercial Real Estate	290,905	10,716	4.93	270,284	9,505	4.70
Residential	32,151	1,309	5.45	30,980	1,086	4.69
Multifamily	68,113	2,356	4.62	60,991	2,083	4.57
Personal	15,527	522	4.49	27,484	859	4.18
Total Loans	647,961	25,126	5.18	589,918	21,435	4.86
Total Earning Assets	800,248	27,478	4.59	705,032	22,563	4.28
Allowance for loan losses	(7,311)			(6,972)		
Cash and cash equivalents	9,667			8,974		
Other assets	24,918			17,163		
Total Assets	\$ 827,522			\$ 724,197		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 109,078	\$ 172	0.21 %	\$ 102,941	\$ 142	0.18 %
Money market deposits	262,286	808	0.41	239,093	372	0.21
Savings deposits	3,850	6	0.22	4,620	3	0.09
Certificates and other time deposits	47,854	327	0.91	46,965	186	0.53
Total Interest-bearing Deposits	423,068	1,313	0.41	393,619	703	0.24
Borrowings	10,033	633	8.44	10,033	633	8.44
Total Interest-bearing Liabilities	433,101	1,946	0.60	403,652	1,336	0.44
Noninterest-bearing deposits	308,907			244,771		
Other liabilities	5,784			4,888		
Total Liabilities	747,792			653,311		
Stockholders' Equity	79,730			70,886		
Total Liabilities and Stockholders' Equity	\$ 827,522			\$ 724,197		
Net Interest Income		\$ 25,532			\$ 21,227	
Net Interest Margin			4.27 %			4.03 %
Cost of Funds			0.35 %			0.28 %
Cost of Deposits			0.24 %			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.