



# PRESIDIO BANK

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## PRESS RELEASE

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**FOR IMMEDIATE RELEASE:**

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

San Francisco, CA, October 23, 2017: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the third quarter ended September 30, 2017 with Net Income of \$2.1 million, up 31% from the second quarter of 2017. Net Income for the nine months ended September 30, 2017 was up 49% from the same period a year ago. Total Assets were \$786 million at September 30, 2017, up 5% from June 30, 2017.

“Aided by successful collection of our only non-performing loan, the Bank had another solid quarter of revenue and profitability growth,” said Presidio Bank President and CEO Steve Heitel. “We are continuing to execute our strategy of disciplined organic growth.”

### Financial Highlights

- Total Loans Outstanding were up \$14 million from the quarter ending June 30, 2017 and up \$74 million from September 30, 2016 or 14%. New Loan Originations however were soft for the quarter at \$44 million, down from \$76 million in the second quarter. The loan pipeline remains solid and continued loan growth is expected. Loan growth came as expected from funding of previously originated Land and Construction loans which grew \$17 million in the quarter. Commercial and Industrial loans grew \$7 million while Commercial Real Estate declined by \$7 million. Unfunded Construction Loans declined \$8 million during the quarter but still total \$48 million which continues to exceed historical averages.
- Total Deposits increased by \$38 million from the quarter ended June 30, 2017. During the quarter, a \$30 million escrow deposit was distributed out of the Bank as scheduled to its beneficiaries. On the last day of the quarter, another depositor brought in a \$30 million deposit that was distributed out on the first business day of the fourth quarter, inflating the deposit total at the end of the third quarter.
- Net Interest Income of \$7.8 million in the third quarter of 2017 was up 14% from the second quarter of 2017 and up 29% from the third quarter of 2016. This increase is due to higher average loan balances and the impact of rate increases by the Federal Reserve. The increase was also augmented by the collection of the Bank’s only non-performing loan, which resulted in the recognition of \$420 thousand in interest and fees. Without this one-time event, Net Interest Income would have increased 8%. Net Interest Margin increased during the quarter to 4.34% from 3.98% in the second quarter of 2017 due to higher Loan Yields and flat Cost of Funds. Excluding the interest related to the non-performing loan payoff, Net Interest Margin would have been 4.11%
- Operating Expenses increased by 6% over the second quarter of 2017. This increase was largely due to an increase in the incentive compensation accrual due to above plan year-to-date performance and the commencement of lease expense on our newly relocated and expanded Walnut Creek Office. These increases were somewhat offset by reimbursement for previously expensed legal and foreclosure costs related to the collection of the non-performing loan. The Efficiency Ratio improved to 57% from 62% in the second quarter of 2017.



# PRESIDIO BANK

- Year-to-date revenue growth is 18.6% while year-to-date expense growth is 8.2%.
- Credit Quality remains stable and strong with a Classified to Capital Ratio of 3.6% at September 30, 2017. The Loan Loss Provision Expense for the second quarter was \$100 thousand driven by growth in the loan portfolio, offset by the \$51 thousand recovery of the previously charged off portion of the non-performing loan. Over the past two quarters, we have seen two commercial relationships downgraded to special mention. The Bank is well-secured in each of these relationships and feels that appropriate action plans are in place.
- Diluted Earnings per Common Share were \$0.32 for the quarter, up from \$0.26 from the quarter ended June 30, 2017.
- Book Value per Share increased to \$12.15 per share at September 30, 2017 from \$11.75 per share at June 30, 2017 and \$11.04 per share at September 30, 2016.

“The Bank is also pleased to report that it successfully completed the relocation of its Walnut Creek Office to a larger and more visible location adjacent to the Walnut Creek BART station,” said Presidio Bank Chairman and Founder, Jim Woolwine. “The new office will also serve as the hub for the Bank’s Central and Loan Operations teams.”

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## 3<sup>rd</sup> Quarter 2017 Financial Results

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

### Condensed Balance Sheet

	9/30/2017	6/30/2017	Change	9/30/2016	Change	12/31/2016	Change
Cash and due from banks	10,677	9,789	9.1%	6,743	58.3%	6,035	76.9%
Interest bearing due from banks	126,277	101,532	24.4%	168,954	-25.3%	150,159	-15.9%
Total cash and equivalents	136,954	111,321	23.0%	175,697	-22.1%	156,194	-12.3%
Investment securities	12,801	12,736	0.5%	13,955	-8.3%	13,249	-3.4%
Loans, net of fees	617,269	603,689	2.2%	542,867	13.7%	572,780	7.8%
Allowance for loan losses	(7,166)	(7,014)	-2.2%	(6,642)	-7.9%	(6,868)	-4.3%
Net loans	610,103	596,675	2.3%	536,225	13.8%	565,912	7.8%
Premises and equipment, net	2,452	1,335	83.7%	1,041	135.6%	1,020	140.4%
Other assets and interest receivable	23,312	24,159	-3.5%	10,952	112.9%	11,128	109.5%
Total assets	785,622	746,226	5.3%	737,870	6.5%	747,503	5.1%
Non-interest-bearing demand	304,726	250,344	21.7%	222,877	36.7%	257,757	18.2%
Interest bearing transaction	98,019	103,727	-5.5%	80,112	22.4%	99,604	-1.6%
Money market and savings accounts	247,857	258,564	-4.1%	291,551	-15.0%	259,711	-4.6%
Time deposits	46,871	47,293	-0.9%	61,404	-23.7%	46,412	1.0%
Total deposits	697,473	659,928	5.7%	655,944	6.3%	663,484	5.1%
Borrowings	10,346	10,152	1.9%	9,770	5.9%	9,845	5.1%
Other liabilities	4,001	4,837	-17.3%	6,531	-38.7%	6,812	-41.3%
Total liabilities	711,820	674,917	5.5%	672,245	5.9%	680,140	4.7%
Common stock	65,585	65,185	0.6%	63,492	3.3%	64,122	2.3%
Retained earnings	8,252	6,173	33.7%	2,174	279.6%	3,377	144.3%
Other comprehensive income	(35)	(49)	29.0%	(41)	15.1%	(137)	74.6%
Total shareholder's equity	73,802	71,309	3.5%	65,625	12.5%	67,362	9.6%
Total liabilities and equity	785,622	746,226	5.3%	737,870	6.5%	747,503	5.1%

### Book value per share

Book value per share	\$ 12.15	\$ 11.75	\$ 11.04	\$ 11.31
Total shares outstanding EOP	6,074	6,069	5,944	5,957

### Capital Ratios

Tier 1 leverage ratio	9.9%	10.0%	9.5%	9.1%
Tier 1 risk-based capital ratio	9.8%	9.6%	10.3%	10.1%
Tangible common risk-based ratio	9.8%	9.6%	10.3%	10.1%
Total risk-based capital ratio	12.2%	12.0%	12.9%	12.7%

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

	For the three months ended					For the Nine months ended		
	9/30/2017	6/30/2017	Change Fav./ (Unfav.)	9/30/2016	Change Fav./ (Unfav.)	9/30/2017	9/30/2016	Change Fav./ (Unfav.)
Interest income	8,362	7,349	13.8%	6,575	27.2%	22,563	19,257	17.2%
Interest expense	472	442	(6.7%)	471	(0.1%)	1,336	1,320	(1.2%)
Net interest income	7,890	6,907	14.2%	6,104	29.3%	21,227	17,937	18.3%
Provision for loan loss	100	198	49.5%	274	63.5%	298	341	12.6%
Net interest income after provision	7,790	6,709	16.1%	5,830	33.6%	20,929	17,596	18.9%
Other income	268	191	40.1%	177	51.2%	660	510	29.5%
Compensation and benefit expenses	3,036	2,736	(11.0%)	2,546	(19.3%)	8,711	8,014	(8.7%)
Occupancy and equipment expenses	628	518	(21.2%)	531	(18.3%)	1,665	1,578	(5.5%)
Data processing	346	326	(6.0%)	320	(8.0%)	977	947	(3.2%)
Professional and legal	77	203	67.6%	142	53.7%	419	418	7.6%
Other operating expenses	533	586	7.2%	548	0.8%	1,921	1,697	(15.1%)
Total operating expenses	4,620	4,369	(5.7%)	4,087	(13.0%)	13,693	12,654	(8.2%)
Net income before taxes	3,438	2,531	35.8%	1,920	79.0%	7,896	5,452	44.8%
Income taxes	1,358	939	(44.6%)	736	(84.5%)	3,021	2,178	(38.7%)
Net income	2,080	1,592	30.7%	1,184	75.7%	4,875	3,274	48.9%
<b>Earnings Per Share</b>								
Basic earnings per share	\$ 0.33	\$ 0.27		\$ 0.20		\$ 0.81	\$ 0.57	
Diluted earnings per share	\$ 0.32	\$ 0.26		\$ 0.19		\$ 0.77	\$ 0.55	
Average shares outstanding	6,001	5,899		5,886		5,968	5,697	
Average diluted shares	6,277	6,157		6,146		6,232	5,903	
<b>Performance Ratios</b>								
Return on average assets	1.10%	0.90%		0.68%		0.90%	0.66%	
Return on average common equity	11.31%	9.03%		7.22%		9.16%	7.04%	
Net interest margin	4.34%	3.98%		3.59%		4.03%	3.71%	
Cost of funds	0.28%	0.28%		0.29%		0.28%	0.30%	
Efficiency ratio	57.0%	61.6%		65.1%		63.1%	68.6%	
<b>Average Balances</b>								
Total assets	748,229	711,847		694,088		724,197	661,177	
Earning assets	721,374	695,297		679,353		705,032	646,505	
Total loans	612,493	588,980		547,748		589,918	534,020	
Total deposits	660,790	627,004		603,428		638,390	576,746	
Common equity	73,108	70,741		65,228		70,886	62,096	

*NM = Not Meaningful*

## Condensed Balance Sheet (5 Quarter Data)

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

	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Cash and due from banks	10,677	9,789	6,239	6,035	6,743
Interest bearing due from banks	126,277	101,532	88,944	150,159	168,954
Total cash and equivalents	136,954	111,321	95,183	156,194	175,697
Investment securities	12,801	12,736	12,893	13,249	13,955
Loans, net of fees	617,269	603,689	578,033	572,780	542,867
Allowance for loan losses	(7,166)	(7,014)	(6,868)	(6,868)	(6,642)
Net loans	610,103	596,675	571,165	565,912	536,225
Premises and equipment, net	2,452	1,335	1,005	1,020	1,041
Other assets and interest receivable	23,312	24,159	11,610	11,128	10,952
Total assets	785,622	746,226	691,856	747,503	737,870
Non-interest-bearing demand	304,726	250,344	233,059	257,757	222,877
Interest bearing transaction	98,019	103,727	98,560	99,604	80,112
Money market and savings accounts	247,857	258,564	228,801	259,711	291,551
Time deposits	46,871	47,293	48,016	46,412	61,404
Total deposits	697,473	659,928	608,436	663,484	655,944
Borrowings	10,346	10,152	9,860	9,845	9,770
Other liabilities	4,001	4,837	4,233	6,812	6,531
Total liabilities	711,820	674,917	622,529	680,140	672,245
Common stock	65,585	65,185	64,801	64,122	63,492
Retained earnings	8,252	6,173	4,581	3,377	2,174
Other comprehensive income	(35)	(49)	(55)	(137)	(41)
Total shareholder's equity	73,802	71,309	69,327	67,362	65,625
Total liabilities and equity	785,622	746,226	691,856	747,503	737,870
<b>Book value per share</b>					
Book value per share	\$ 12.15	\$ 11.75	\$ 11.50	\$ 11.31	\$ 11.04
Total shares outstanding EOP	6,074	6,069	6,030	5,957	5,944
<b>Capital Ratios</b>					
Tier 1 leverage ratio	9.9%	10.0%	9.7%	9.1%	9.5%
Common equity tier 1 capital ratio	9.8%	9.6%	10.1%	10.1%	10.3%
Tier 1 risk-based capital ratio	9.8%	9.6%	10.1%	10.1%	10.3%
Total risk-based capital ratio	12.2%	12.0%	12.6%	12.7%	12.9%

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

	For the three months ended				
	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Interest income	8,362	7,349	6,853	6,736	6,575
Interest expense	472	442	422	455	471
Net interest income	7,890	6,907	6,431	6,281	6,104
Provision for loan loss	100	198	-	226	274
Net interest income after provision	7,790	6,709	6,431	6,055	5,830
Other income	268	191	202	189	177
Compensation and benefit expenses	3,036	2,736	2,938	2,657	2,546
Occupancy and equipment expenses	628	518	520	547	531
Data processing	346	326	306	340	320
Professional and legal	77	203	139	121	142
Other operating expenses	533	586	801	612	548
Total operating expenses	4,620	4,369	4,704	4,277	4,087
Net income before taxes	3,438	2,531	1,929	1,967	1,920
Income taxes	1,358	939	725	763	736
Net income	2,080	1,592	1,204	1,204	1,184

**Earnings Per Share**

Basic earnings per share	\$ 0.33	\$ 0.27	\$ 0.20	\$ 0.20	\$ 0.20
Diluted earnings per share	\$ 0.32	\$ 0.26	\$ 0.19	\$ 0.19	\$ 0.19
Average shares outstanding	6,001	5,899	5,932	5,906	5,886
Average diluted shares	6,277	6,157	6,185	6,146	6,146

**Performance Ratios**

Return on average assets	1.10%	0.90%	0.69%	0.65%	0.68%
Return on average common equity	11.31%	9.03%	7.09%	7.15%	7.22%
Net interest margin	4.34%	3.98%	3.74%	3.45%	3.59%
Cost of funds	0.28%	0.28%	0.27%	0.27%	0.29%
Efficiency ratio	57.0%	61.6%	71.0%	66.1%	65.1%

**Average Balances**

Total assets	748,229	711,847	712,119	738,307	694,088
Earning assets	721,374	695,297	698,171	725,247	679,353
Total loans	612,493	588,980	567,792	537,641	547,748
Total deposits	660,790	627,004	628,228	655,149	603,428
Common equity	73,108	70,741	68,760	66,788	65,228

## Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Commercial real estate	268,357	275,189	268,334	263,463	248,646
Land and construction	39,599	22,657	13,629	12,298	20,025
Commercial	194,884	187,537	176,073	180,412	161,783
Personal	21,292	23,008	30,992	31,352	31,411
Residential	34,389	33,671	27,077	30,510	30,977
Multifamily	59,764	62,634	62,898	55,593	50,832
Deferred loan fees	(1,016)	(1,007)	(970)	(848)	(806)
Loans	617,269	603,689	578,033	572,779	542,867
Allowance for loan losses	(7,166)	(7,015)	(6,868)	(6,868)	(6,642)
Net loans	610,103	596,675	571,165	565,912	536,225

## Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Non-Accrual Loans	-	991	1,042	1,055	1,068
Non-Performing Loans (NPL)	-	991	1,042	1,055	1,068
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	-	991	1,042	1,055	1,068
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	-	991	1,042	1,055	1,068
Quarterly Net Charge-offs	(51)	51	-	-	-
NPAs / Assets %	0.00%	0.13%	0.15%	0.14%	0.14%
NPAs & 90 Day / Assets %	0.00%	0.13%	0.15%	0.14%	0.14%
NPAs / Actual Loans and OREO %	0.00%	0.13%	0.15%	0.14%	0.14%
Loan Loss Reserves / Loans (%)	1.16%	1.16%	1.19%	1.20%	1.22%

## Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	9/30/2017			6/30/2017		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 96,029	\$ 324	1.34 %	\$ 93,405	\$ 223	0.96 %
Federal Reserve and Federal Home Loan Bank stock	4,625	74	6.38	4,518	69	6.13
Investment Securities	8,227	32	1.56	8,395	31	1.49
Loans: (2)						
Commercial	187,888	2,777	5.86	182,033	2,191	4.83
Land and Construction	32,792	524	6.33	17,072	269	6.33
Commercial Real Estate	274,847	3,278	4.73	267,931	3,183	4.77
Residential	33,997	420	4.90	31,139	366	4.71
Multifamily	60,424	690	4.53	63,085	718	4.56
Personal	22,545	243	4.28	27,720	298	4.31
Total Loans	612,493	7,932	5.14	588,980	7,025	4.78
Total Earning Assets	721,374	8,362	4.60	695,297	7,349	4.24
Allowance for loan losses	(7,149)			(6,900)		
Cash and cash equivalents	8,639			9,055		
Other assets	25,365			14,395		
<b>Total Assets</b>	<b>\$ 748,229</b>			<b>\$ 711,847</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 103,364	\$ 47	0.18 %	\$ 104,413	\$ 51	0.20 %
Money market deposits	248,786	137	0.22	234,203	120	0.21
Savings deposits	5,066	1	0.10	5,258	1	0.09
Certificates and other time deposits	47,612	76	0.64	47,988	59	0.49
Total Interest-bearing Deposits	404,828	261	0.26	391,862	231	0.24
Borrowings	10,327	211	8.11	9,981	211	8.48
Total Interest-bearing Liabilities	415,155	472	0.45	401,844	442	0.44
Noninterest-bearing deposits	255,962			235,141		
Other liabilities	4,004			4,122		
Total Liabilities	675,121			641,107		
Stockholders' Equity	73,108			70,741		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 748,229</b>			<b>\$ 711,847</b>		
<b>Net Interest Income</b>		<b>\$ 7,890</b>			<b>\$ 6,907</b>	
<b>Net Interest Margin</b>			<b>4.34 %</b>			<b>3.98 %</b>
<b>Cost of funds</b>			<b>0.28 %</b>			<b>0.28 %</b>



## Net Interest Income (Quarter Data)

(Dollars in Thousands, unaudited)

For the Nine Months Ended

	9/30/2017			9/30/2016		
	Average	Interest	Average	Average	Interest	Average
	Balance	Income/ Expense	Rate	Balance	Income/ Expense	Rate
<b>Assets:</b>						
Interest-bearing deposits	\$ 102,188	\$ 807	1.06 %	\$ 97,970	\$ 379	0.52 %
Federal Reserve and Federal Home Loan Bank stock	4,459	225	6.75	3,949	213	7.21
Investment Securities	8,467	96	1.52	10,566	109	1.38
Loans: (2)						
Commercial	178,945	6,910	5.16	152,684	5,363	4.69
Land and Construction	21,234	992	6.25	39,519	1,524	5.15
Commercial Real Estate	270,284	9,505	4.70	234,298	8,185	4.67
Residential	30,980	1,086	4.69	27,536	866	4.20
Multifamily	60,991	2,083	4.57	47,752	1,657	4.64
Personal	27,484	859	4.18	32,231	960	3.98
Total Loans	589,918	21,435	4.86	534,020	18,556	4.64
Total Earning Assets	705,032	22,563	4.28	646,505	19,257	3.98
Allowance for loan losses	(6,972)			(6,306)		
Cash and cash equivalents	8,974			9,485		
Other assets	17,163			11,493		
<b>Total Assets</b>	<b>\$ 724,197</b>			<b>\$ 661,177</b>		
<b>Liabilities:</b>						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 102,941	\$ 142	0.18 %	\$ 86,479	\$ 130	0.20 %
Money market deposits	239,093	372	0.21	228,441	395	0.23
Savings deposits	4,620	3	0.09	3,374	3	0.12
Certificates and other time deposits	46,965	186	0.53	45,874	141	0.41
Total Interest-bearing Deposits	393,619	703	0.24	364,167	668	0.25
Borrowings	10,033	633	8.44	15,499	652	5.62
Total Interest-bearing Liabilities	403,652	1,336	0.44	379,667	1,320	0.46
Noninterest-bearing deposits	244,771			212,579		
Other liabilities	4,888			6,836		
Total Liabilities	653,311			599,081		
Stockholders' Equity	70,886			62,096		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 724,197</b>			<b>\$ 661,177</b>		
<b>Net Interest Income</b>		<b>\$ 21,227</b>			<b>\$ 17,937</b>	
<b>Net Interest Margin</b>			<b>4.03 %</b>			<b>3.71 %</b>
<b>Cost of funds</b>			<b>0.28 %</b>			<b>0.30 %</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.*