



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 2017

Pretax Income up 53% for the year.

San Francisco, CA, January 22, 2018: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the fourth quarter and full year ended December 31, 2017 with Net Income for the year of \$5.5 million, up 22% from 2016, despite a \$1.5 million revaluation of Deferred Tax Assets and Low Income Housing Investments in the fourth quarter due to the recently passed tax reform legislation. Pretax Income for the 2017 was \$11.3 million, up 53% from 2016. Pretax Income for the quarter ending December 31, 2017 was \$3.4 million, flat to the quarter ending September 30, 2017, but up 75% from the quarter ending December 31, 2016. Total Assets were a record high \$794 million at December 31, 2017, up \$8 million from September 30, 2017 and up \$47 million or 6% from December 31, 2016.

“A combination of continued growth, improved efficiency and higher Net Interest Margin driven by higher short-term interest rates resulted in disproportionate growth in profitability,” said Presidio Bank President and CEO Steve Heitel. “These factors along with a lower federal income tax rate make us optimistic about 2018.”

Financial Highlights

- Total Loans Outstanding were up \$9 million from the quarter ending September 30, 2017 and up \$53 million for the year or 9%. Growth for the year was centered in Land and Construction Loans, up \$32 million and Commercial and Industrial Loans, up \$17 million. The growth in Land and Construction Loans represents the return to a more normalized level after a decline of \$30 million in the category in 2016 due to the timing of projects financed. Growth in Commercial Real Estate loans of \$8 million was modest compared to prior years and is related to intense rate competition in the category, which has slowed originations and accelerated prepayments. Loan Originations for the fourth quarter of 2017 were \$69 million, up from \$44 million in the third quarter. For the year, Loan Originations were \$259 million, up from \$221 million in 2016.
- Total Deposits increased by \$7 million from the quarter ended September 30, 2017. Total Deposits increased \$41 million for the year or 6%. Demand Deposits declined \$10 million in the fourth quarter but were up \$37 million or 14.5% for the year. Demand Deposits now total 42% of total deposits. Money Market deposits declined by \$21 million during the year. This was due largely to a \$30 million escrow deposit that originated in 2016 and was distributed out in the third quarter of 2017.
- Net Interest Income of \$7.7 million in the fourth quarter of 2017 was down 2% from the third quarter of 2017 and up 23% from the fourth quarter of 2016. The third quarter of 2017 included recognition of \$420 thousand in interest and fees related to collection of a non-performing loan. For the year, Net Interest Income was up 20% over 2016. Net Interest Margin decreased during the quarter to 4.11% from 4.34% in the third quarter of 2017 due to the aforementioned collection of interest and fees. Adjusted for that, Net Interest Margin was flat for the quarter. Net Interest Margin for the full year was 4.05%, up from 3.63% in 2016. Loan Yields for the



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quarter declined to 5.05% from 5.14% in the third quarter of 2017. For the year, Loan Yields increased to 4.91% from 4.65%. Cost of Funds and Cost of Deposits were essentially flat for the quarter and the year at 0.28% and 0.15% respectively.

- Operating Expenses were essentially flat from the third quarter of 2017 and increased 7.6% from the fourth quarter of 2016. For the full year, Operating Expenses were up 8% primarily due to growth related increases in Salary and Benefits Expenses, an increase in Occupancy Expense due to the lease on our new Walnut Creek location that opened in the 2nd half of the year, and an increase in Loan Loss Provision Expense on the Undisbursed Loans due to a high level of unfunded Construction Loan Commitments. The expense growth is compared to revenue growth of 20% for the year. The Bank's efficiency ratio improved from 68% in 2016 to 61.7% in 2017
- Credit Quality remains strong with a Classified to Capital Ratio of 3.7% at December 31, 2017 which improved from 5.9% at December 31, 2016. The number of classified relationships has been reduced to two from five at the end of 2016. This improvement has been somewhat offset by an increase in Special Mention relationships from three at December 31, 2016 to eleven at December 31, 2017. Total Criticized and Classified Loans still represents only 3% of Loan Commitments and 4% of Loans Outstanding at December 31, 2017. At year end, the Bank had no Non-Performing Loans.
- Diluted Earnings per Common Share were \$0.09 for the quarter compared to \$0.32 in the third quarter of 2017 and \$0.19 in the fourth quarter of 2016. Diluted Earnings per Common Share were \$0.87 for the year, up from \$0.75 in 2016.
- Book Value per Share increased to \$12.29 per share at December 31, 2017 from \$12.15 per share at September 30, 2017 and \$11.31 per share at December 31, 2016.

"I am pleased that the Bank continues to demonstrate improved performance by executing its disciplined growth strategy," said Presidio Bank Chairman and Founder, Jim Woolwine.

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4th Quarter 2017 Financial Results

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

Condensed Balance Sheet

	12/31/2017	9/30/2017	Change	12/31/2016	Change
Cash and due from banks	7,613	10,677	(28.7%)	6,035	26.1%
Interest bearing due from banks	129,952	126,277	2.9%	150,159	(13.5%)
Total cash and equivalents	137,565	136,954	0.4%	156,194	(11.9%)
Investment securities	12,313	12,801	(3.8%)	13,249	(7.1%)
Loans, net of fees	626,282	617,269	1.5%	572,780	9.3%
Allowance for loan losses	(7,166)	(7,166)	0.0%	(6,868)	(4.3%)
Net loans	619,116	610,103	1.5%	565,912	9.4%
Premises and equipment, net	2,627	2,452	7.1%	1,020	157.6%
Other assets and interest receivable	22,237	23,312	(4.6%)	11,128	99.8%
Total assets	793,858	785,622	1.0%	747,503	6.2%
Non-interest-bearing demand	295,070	304,726	(3.2%)	257,757	14.5%
Interest bearing transaction	120,109	98,019	22.5%	99,604	20.6%
Money market and savings accounts	238,706	247,857	(3.7%)	259,711	(8.1%)
Time deposits	50,269	46,871	7.3%	46,412	8.3%
Total deposits	704,154	697,473	1.0%	663,484	6.1%
Borrowings	10,174	10,346	(1.7%)	9,845	3.3%
Other liabilities	4,767	4,001	19.2%	6,812	(30.0%)
Total liabilities	719,095	711,820	1.0%	680,140	5.7%
Common stock	65,960	65,585	0.6%	64,122	2.9%
Retained earnings	8,854	8,252	7.3%	3,377	162.2%
Other comprehensive income	(51)	(35)	(47.8%)	(137)	62.5%
Total shareholder's equity	74,763	73,802	1.3%	67,362	11.0%
Total liabilities and equity	793,858	785,622	1.0%	747,503	6.2%

Book value per share

Book value per share	\$ 12.29	\$ 12.15	\$ 11.31
Total shares outstanding EOP	6,084	6,074	5,957

Capital Ratios

Tier 1 leverage ratio	9.7%	9.9%	9.1%
Tier 1 risk-based capital ratio	9.8%	9.8%	10.1%
Tangible common risk-based ratio	9.8%	9.8%	10.1%
Total risk-based capital ratio	12.1%	12.2%	12.7%

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

	For the three months ended					For the twelve months ended		
	12/31/2017	9/30/2017	Change Fav./ (Unfav.)	12/31/2016	Change Fav./ (Unfav.)	12/31/2017	12/31/2016	Change Fav./ (Unfav.)
Interest income	8,236	8,362	(1.5%)	6,736	22.3%	30,799	25,993	18.5%
Interest expense	483	472	(2.3%)	455	(6.0%)	1,819	1,775	(2.5%)
Net interest income	7,753	7,890	(1.7%)	6,281	23.4%	28,980	24,218	19.7%
Provision for loan loss	-	100	100.0%	226	100.0%	298	567	47.4%
Net interest income after provision	7,753	7,790	(0.5%)	6,055	28.0%	28,682	23,651	21.3%
Other income	287	268	7.3%	189	51.9%	948	698	35.8%
Compensation and benefit expenses	2,814	3,036	7.3%	2,657	(5.9%)	11,525	10,671	(8.0%)
Occupancy and equipment expenses	617	628	1.8%	547	(12.7%)	2,282	2,124	(7.4%)
Data processing	388	346	(12.3%)	340	(14.2%)	1,366	1,287	(6.1%)
Professional and legal	155	77	(102.0%)	121	(27.9%)	574	539	(6.4%)
Other operating expenses	627	533	(17.7%)	612	(2.5%)	2,547	2,310	(10.3%)
Total operating expenses	4,601	4,620	0.4%	4,277	(7.6%)	18,294	16,931	(8.1%)
Net income before taxes	3,439	3,438	0.0%	1,967	74.8%	11,336	7,418	52.8%
Income taxes	2,838	1,358	(109.1%)	763	(272.0%)	5,859	2,941	(99.2%)
Net income	601	2,080	(71.1%)	1,204	(50.0%)	5,477	4,477	22.3%
Earnings Per Share								
Basic earnings per share	\$ 0.10	\$ 0.33		\$ 0.20		\$ 0.91	\$ 0.77	
Diluted earnings per share	\$ 0.09	\$ 0.32		\$ 0.19		\$ 0.87	\$ 0.75	
Average shares outstanding	6,009	6,001		5,906		5,979	5,788	
Average diluted shares	6,328	6,277		6,146		6,259	5,987	
Performance Ratios								
Return on average assets	0.32%	1.10%		0.65%		0.75%	0.66%	
Return on average common equity	3.25%	11.31%		7.15%		7.67%	7.04%	
Net interest margin	4.11%	4.34%		3.45%		4.05%	3.63%	
Cost of funds	0.28%	0.28%		0.27%		0.28%	0.29%	
Efficiency ratio	57.4%	57.0%		66.1%		61.7%	68.0%	
Average Balances								
Total assets	774,015	748,229		738,307		736,754	680,565	
Earning assets	747,679	721,374		725,247		715,782	666,298	
Total loans	608,584	612,493		537,641		594,624	534,930	
Total deposits	684,233	660,790		655,149		649,793	596,303	
Common equity	75,531	73,108		66,788		72,056	63,275	

Condensed Balance Sheet (5 Quarter Data)

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

	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Cash and due from banks	7,613	10,677	9,789	6,239	6,035
Interest bearing due from banks	129,952	126,277	101,532	88,944	150,159
Total cash and equivalents	137,565	136,954	111,321	95,183	156,194
Investment securities	12,313	12,801	12,736	12,893	13,249
Loans, net of fees	626,282	617,269	603,689	578,033	572,780
Allowance for loan losses	(7,166)	(7,166)	(7,014)	(6,868)	(6,868)
Net loans	619,116	610,103	596,675	571,165	565,912
Premises and equipment, net	2,627	2,452	1,335	1,005	1,020
Other assets and interest receivable	22,237	23,312	24,159	11,610	11,128
Total assets	793,858	785,622	746,226	691,856	747,503
Non-interest-bearing demand	295,070	304,726	250,344	233,059	257,757
Interest bearing transaction	120,109	98,019	103,727	98,560	99,604
Money market and savings accounts	238,706	247,857	258,564	228,801	259,711
Time deposits	50,269	46,871	47,293	48,016	46,412
Total deposits	704,154	697,473	659,928	608,436	663,484
Borrowings	10,174	10,346	10,152	9,860	9,845
Other liabilities	4,767	4,001	4,837	4,233	6,812
Total liabilities	719,095	711,820	674,917	622,529	680,140
Common stock	65,960	65,585	65,185	64,801	64,122
Retained earnings	8,854	8,252	6,173	4,581	3,377
Other comprehensive income	(51)	(35)	(49)	(55)	(137)
Total shareholder's equity	74,763	73,802	71,309	69,327	67,362
Total liabilities and equity	793,858	785,622	746,226	691,856	747,503

Book value per share

Book value per share	\$ 12.29	\$ 12.15	\$ 11.75	\$ 11.50	\$ 11.31
Total shares outstanding EOP	6,084	6,074	6,069	6,030	5,957

Capital Ratios

Tier 1 leverage ratio	9.7%	9.9%	10.0%	9.7%	9.1%
Common equity tier 1 capital ratio	9.8%	9.8%	9.6%	10.1%	10.1%
Tier 1 risk-based capital ratio	9.8%	9.8%	9.6%	10.1%	10.1%
Total risk-based capital ratio	12.1%	12.2%	12.0%	12.6%	12.7%

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

	For the three months ended				
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Interest income	8,236	8,362	7,349	6,853	6,736
Interest expense	483	472	442	422	455
Net interest income	7,753	7,890	6,907	6,431	6,281
Provision for loan loss	-	100	198	-	226
Net interest income after provision	7,753	7,790	6,709	6,431	6,055
Other income	287	268	191	202	189
Compensation and benefit expenses	2,814	3,036	2,736	2,938	2,657
Occupancy and equipment expenses	617	628	518	520	547
Data processing	388	346	326	306	340
Professional and legal	155	77	203	139	121
Other operating expenses	627	533	586	801	612
Total operating expenses	4,601	4,620	4,369	4,704	4,277
Net income before taxes	3,439	3,438	2,531	1,929	1,967
Income taxes	2,838	1,358	939	725	763
Net income	601	2,080	1,592	1,204	1,204

Earnings Per Share

Basic earnings per share	\$ 0.10	\$ 0.33	\$ 0.27	\$ 0.20	\$ 0.20
Diluted earnings per share	\$ 0.09	\$ 0.32	\$ 0.26	\$ 0.19	\$ 0.19
Average shares outstanding	6,009	6,001	5,899	5,932	5,906
Average diluted shares	6,328	6,277	6,157	6,185	6,146

Performance Ratios

Return on average assets	0.32%	1.10%	0.90%	0.69%	0.65%
Return on average common equity	3.25%	11.31%	9.03%	7.09%	7.15%
Net interest margin	4.11%	4.34%	3.98%	3.74%	3.45%
Cost of funds	0.28%	0.28%	0.28%	0.27%	0.27%
Efficiency ratio	57.4%	57.0%	61.6%	71.0%	66.1%

Average Balances

Total assets	774,015	748,229	711,847	712,119	738,307
Earning assets	747,679	721,374	695,297	698,171	725,247
Total loans	608,584	612,493	588,980	567,792	537,641
Total deposits	684,233	660,790	627,004	628,228	655,149
Common equity	75,531	73,108	70,741	68,760	66,788

Loans (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Commercial real estate	271,346	268,357	275,189	268,334	263,463
Land and construction	44,714	39,599	22,657	13,629	12,298
Commercial	197,748	194,884	187,537	176,073	180,412
Personal	16,295	21,292	23,008	30,992	31,352
Residential	34,174	34,389	33,671	27,077	30,510
Multifamily	63,024	59,764	62,634	62,898	55,593
Deferred loan fees	(1,019)	(1,016)	(1,007)	(970)	(848)
Loans	626,282	617,269	603,689	578,033	572,779
Allowance for loan losses	(7,166)	(7,166)	(7,015)	(6,868)	(6,868)
Net loans	619,116	610,103	596,675	571,165	565,912

Non-Performing Assets (5 Quarter Data)

(Dollars in Thousands, unaudited)

	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Non-Accrual Loans	-	-	991	1,042	1,055
Non-Performing Loans (NPL)	-	-	991	1,042	1,055
Other Real Estate Owned	-	-	-	-	-
Non-Performing Assets (NPA)	-	-	991	1,042	1,055
90+ Days Delinquent	-	-	-	-	-
NPAs & 90 Day Delinquent	-	-	991	1,042	1,055
Quarterly Net Charge-offs	-	(51)	51	-	-
NPAs / Assets %	0.00%	0.00%	0.13%	0.15%	0.14%
NPAs & 90 Day / Assets %	0.00%	0.00%	0.13%	0.15%	0.14%
NPAs / Actual Loans and OREO %	0.00%	0.00%	0.13%	0.15%	0.14%
Loan Loss Reserves / Loans (%)	1.14%	1.16%	1.16%	1.19%	1.20%

Net Interest Income (Quarterly Data)

(Dollars in Thousands, unaudited)

For the Three Months Ended

	12/31/2017			9/30/2017		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 126,532	\$ 375	1.18 %	\$ 96,029	\$ 324	1.34 %
Federal Reserve and Federal Home Loan Bank stock	4,644	77	6.56	4,625	74	6.38
Investment Securities	7,919	32	1.61	8,227	32	1.56
Loans: (2)						
Commercial	185,629	2,448	5.23	187,888	2,777	5.86
Land and Construction	42,055	655	6.18	32,792	524	6.33
Commercial Real Estate	267,166	3,334	4.95	274,847	3,278	4.73
Residential	33,500	414	4.90	33,997	420	4.90
Multifamily	62,002	712	4.56	60,424	690	4.53
Personal	18,232	189	4.12	22,545	243	4.28
Total Loans	608,584	7,752	5.05	612,493	7,932	5.14
Total Earning Assets	747,679	8,236	4.37	721,374	8,362	4.60
Allowance for loan losses	(7,166)			(7,149)		
Cash and cash equivalents	8,441			8,639		
Other assets	25,061			25,365		
Total Assets	\$ 774,015			\$ 748,229		
Liabilities:						
Interest-bearing deposits:						
Interest-bearing NOW deposits	\$ 107,767	\$ 41	0.15 %	\$ 103,364	\$ 47	0.18 %
Money market deposits	241,802	143	0.23	248,786	137	0.22
Savings deposits	4,341	1	0.11	5,066	1	0.10
Certificates and other time deposits	49,965	87	0.69	47,612	76	0.64
Total Interest-bearing Deposits	403,875	272	0.27	404,828	261	0.26
Borrowings	10,161	211	8.24	10,327	211	8.11
Total Interest-bearing Liabilities	414,036	483	0.46	415,155	472	0.45
Noninterest-bearing deposits	280,358			255,962		
Other liabilities	4,090			4,004		
Total Liabilities	698,484			675,121		
Stockholders' Equity	75,531			73,108		
Total Liabilities and Stockholders' Equity	\$ 774,015			\$ 748,229		
Net Interest Income		\$ 7,753			\$ 7,890	
Net Interest Margin			4.11 %			4.34 %
Cost of Funds			0.28 %			0.28 %
Cost of Deposits			0.16 %			0.16 %

Net Interest Income (Annual Data)

(Dollars in Thousands, unaudited)

	For the Twelve Months Ended						
	12/31/2017			12/31/2016			
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	
Assets:							
Interest-bearing deposits	\$ 108,324	\$ 1,183	1.09 %	\$ 117,087	\$ 592	0.51 %	
Federal Reserve and Federal Home Loan Bank stock	4,505	302	6.70	4,016	373	9.30	
Investment Securities	8,329	128	1.54	10,265	143	1.39	
Loans: (2)							
Commercial	180,630	9,358	5.18	153,918	7,221	4.69	
Land and Construction	26,482	1,647	6.22	33,487	1,754	5.24	
Commercial Real Estate	269,499	12,838	4.76	238,263	11,205	4.70	
Residential	31,615	1,500	4.74	28,281	1,186	4.19	
Multifamily	61,246	2,795	4.56	48,843	2,248	4.60	
Personal	25,152	1,048	4.17	32,137	1,272	3.96	
Total Loans	594,624	29,186	4.91	534,930	24,884	4.65	
Total Earning Assets	715,782	30,799	4.30	666,298	25,993	3.90	
Allowance for loan losses	(7,020)			(6,452)			
Cash and cash equivalents	8,839			9,272			
Other assets	19,153			11,446			
Total Assets	\$ 736,754			\$ 680,565			
Liabilities:							
Interest-bearing deposits:							
Interest-bearing NOW deposits	\$ 104,157	\$ 183	0.18 %	\$ 88,330	\$ 173	0.20 %	
Money market deposits	239,776	515	0.21	237,624	541	0.23	
Savings deposits	4,550	4	0.10	3,335	4	0.11	
Certificates and other time deposits	47,569	273	0.57	47,003	195	0.41	
Total Interest-bearing Deposits	396,052	975	0.25	376,293	912	0.24	
Borrowings	10,066	844	8.39	14,088	863	6.12	
Total Interest-bearing Liabilities	406,118	1,819	0.45	390,382	1,775	0.45	
Noninterest-bearing deposits	253,741			220,010			
Other liabilities	4,839			6,898			
Total Liabilities	664,698			617,289			
Stockholders' Equity	72,056			63,275			
Total Liabilities and Stockholders' Equity	\$ 736,754			\$ 680,565			
Net Interest Income		\$ 28,980			\$ 24,218		
Net Interest Margin			4.05 %			3.63 %	
Cost of Funds			0.28 %			0.29 %	
Cost of Deposits			0.15 %			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.