

FOR IMMEDIATE RELEASE

PRESS RELEASE

**Avidbank Holdings, Inc. Announces Pre-Tax Income
of \$4.8 Million for 2012, an Increase of 47% Over 2011**

PALO ALTO, CA -- (Business Wire) – 03/12/13 – Avidbank Holdings, Inc. ("the Company") (OTCBB: AVBH), the holding company for Avidbank ("the Bank"), an independent full-service commercial bank serving businesses and consumers in Northern California, announced its financial results for the year ended December 31, 2012.

Financial Highlights

- Pre-tax income of \$4.8 million for 2012, a 47% increase from 2011 pre-tax income of \$3.3 million
- Net income for 2012 was \$2,745,000, a 28% decrease from 2011 net income of \$3,837,000 which included a one-time benefit of \$1,975,000 from the recognition of the deferred tax asset
- Diluted earnings per common share were \$0.91 for 2012, compared to \$1.26 in 2011
- Net income was \$665,000 for the fourth quarter of 2012, a 53% decrease over the fourth quarter of 2011 due to recognition of the deferred tax asset in the prior year
- Diluted earnings per common share were \$0.22 for the fourth quarter, compared to \$0.51 for the fourth quarter of 2011 which benefited from the recognition of the deferred tax asset
- Total assets grew by 21% in 2012, ending the year at \$416 million as compared to \$342 million at the end of the prior year
- Total loans outstanding grew by 19% in 2012, ending the year at \$247 million as compared to \$204 million at December 31, 2011
- Total deposits grew by 22% in 2012, ending the year at \$375 million as compared to \$307 million at December 31, 2011
- The Bank continues to be well capitalized with a leverage ratio of 8.9%, a Tier 1 capital ratio of 10.8%, and a total risk-based capital ratio of 12.0%

"We are pleased to announce that Avidbank Holdings, Inc. achieved record pre-tax earnings of \$4.8 million in 2012," stated Mark D. Mordell, Chairman and Chief Executive Officer. "We added key personnel to our team in 2012 and opened new loan production offices in San Jose and Redwood City. These additions along with our existing staff contributed to strong growth in both loans and deposits, which grew by 19% and 22%, respectively. Net interest income before the provision for loan losses also improved, as reflected in the 21% increase over the prior year. Excluding gains on the sale of securities, the Bank grew non-interest income by 30%. We are pleased with the progress we've made in our financial performance as well as our increased market visibility."

Net interest income before provision for loan losses was \$15.2 million in 2012, a \$2.6 million increase over the prior year. The growth in net interest income was the result of both growth in earning assets and an increase in net interest margin. Earning assets grew by \$42 million or 13% over 2011. Net interest margin increased from 4.09% in 2011 to 4.16% in 2012, as a result of both an increase in loans outstanding and a decrease in the Bank's cost of funds. The provision for loan loss was \$480,000 in 2012, a \$45,000 increase over 2011. Net loan charge-offs for 2012 totaled \$376,000 compared to \$480,000 in 2011. Non-accrual loans totaled \$876,000 at December 31, 2012 compared to \$975,000 for the end of the previous year.

"It is important to maintain strong underwriting standards as we grow and expand into other markets along the Peninsula and the South Bay," stated Mr. Mordell. "We finished 2012 with the lowest level of problem loans we have had since the beginning of the financial crisis."

Non-interest income, excluding gain on sale of securities was \$467,000 in 2012, an increase of more than \$108,000 or 30% over 2011. Gain on sale of securities was \$337,000 in 2012, a 394% increase from the \$68,000 in gains recorded in 2011.

Non-interest expense grew by \$1.2 million over 2011 to \$10.7 million for 2012. The majority of this growth was attributable to increased staff, benefits and occupancy expense as the Bank seeks to maintain high levels of customer service while continuing to grow and expand its market presence.

For the three months ended December 31, 2012, net interest income before provision for loan loss was \$4.0 million, an increase of more than \$725,000 or 22% compared to the fourth quarter of 2011. The growth in net interest income was the result of an increase in loans outstanding. Average earning assets were \$391 million in the fourth quarter of 2012, a 23% increase over the prior year. Net interest margin was 4.03% for the fourth quarter, compared to 4.17% for the prior year. The decrease in net interest margin resulted from a decrease in loan yields and an increase in liquid funds. The provision for loan loss was \$380,000 in the fourth quarter of 2012 compared to \$386,000 in the fourth quarter of 2011.

Non-interest income, excluding gain on sale of securities of \$337,000, was \$122,000 in the fourth quarter of 2012, compared to \$98,000 in the fourth quarter of 2011. There were no gains on sale of securities in the fourth quarter of 2011. Non-interest expense in the fourth quarter of 2012 grew by more than \$408,000 or 17% over 2011, primarily due to an increase in staff and our expansion into two new locations.

About Avidbank

Avidbank Holdings, Inc., headquartered in Palo Alto, California offers innovative financial solutions and services. We specialize in the following markets: commercial & industrial, corporate finance, asset-based lending, real estate construction and commercial real estate lending, and real estate bridge financing. Avidbank advances the success of our clients by providing them with financial opportunities and serving them as we wish to be served – with mutual effort, ingenuity and trust – creating long-term banking relationships.

Forward-Looking Statement:

This news release contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts, and generally include the words “believes”, “plans”, “intends”, “expects”, “anticipates”, “targeted”, “continue”, “remain”, “will”, “should,” “may” or words of similar meaning. While we believe that our forward-looking statements and the assumptions underlying them are reasonably based, such statements and assumptions, are by their nature subject to risks and uncertainties, and thus could later prove to be inaccurate or incorrect. Accordingly, actual results could materially differ from forward-looking statements for a variety of reasons, including, but not limited to local, regional, national and international economic conditions and events and the impact they may have on us and our customers, and in particular in our market areas; ability to attract deposits and other sources of liquidity; oversupply of property inventory and deterioration in values of California real estate, both residential and commercial; a prolonged slowdown or decline in construction activity; changes in the financial performance and/or condition of our borrowers; changes in the level of non-performing assets and charge-offs; the cost or effect of acquisitions we may make; the effect of changes in laws and regulations (including laws, regulations and judicial decisions concerning financial reform, capital requirements, taxes, banking, securities, employment, executive compensation, insurance, and information security) with which we and our subsidiaries must comply; changes in estimates of future reserve requirements and minimum capital requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; ability to adequately underwrite for our asset based and corporate finance lending business lines; our ability to utilize all or part of any deferred tax asset; the impact of our participation in the United States Treasury’s Capital Purchase Program (TARP); our ability to raise capital; inflation, interest rate, securities market and monetary fluctuations; cyber-security threats including loss of system functionality or theft or loss of data; political instability; acts of war or terrorism, or natural disasters, such

as earthquakes, or the effects of pandemic flu; destabilization in international economies resulting from the European sovereign debt crisis; the timely development and acceptance of new banking products and services and perceived overall value of these products and services by users; changes in consumer spending, borrowing and savings habits; technological changes; the ability to increase market share, retain customers and control expenses; ability to retain and attract key management and personnel; changes in the competitive environment among financial and bank holding companies and other financial service providers; continued volatility in the credit and equity markets and its effect on the general economy; the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters; changes in our organization, management, compensation and benefit plans, and our ability to retain or expand our management team; the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; our success at managing the risks involved in the foregoing items. We do not undertake, and specifically disclaim any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by law.

Contact:

Steve Leen
Executive Vice President and Chief Financial Officer
650-843-2204
sleen@avidbank.com
avidbank.com

Avidbank Holdings, Inc.
 Balance Sheet (\$000)
 (Unaudited)

<u>Assets</u>	<u>12/31/2012</u>	<u>9/30/2012</u>	<u>12/31/2011</u>
Cash and due from banks	\$ 21,493	\$ 13,057	\$ 12,377
Fed funds sold	85,510	97,250	33,660
Total cash and cash equivalents	107,003	110,307	46,037
Investment securities - available for sale	55,343	63,487	82,178
Loans, net of deferred loan fees	247,269	233,352	207,966
Allowance for loan losses	(4,480)	(4,290)	(4,376)
Loans, net of allowance for loan losses	242,789	229,062	203,590
Premises and equipment, net	1,291	1,108	696
Accrued interest receivable & other assets	9,295	11,495	9,704
Total assets	<u>\$ 415,721</u>	<u>\$ 415,459</u>	<u>\$ 342,205</u>
<u>Liabilities</u>			
Non-interest-bearing demand deposits	\$105,518	\$119,180	\$73,277
Interest bearing transaction accounts	17,293	13,760	16,008
Money market and savings accounts	185,663	175,794	154,134
Time deposits	66,520	65,115	63,271
Total deposits	374,994	373,849	306,690
Other liabilities	2,864	4,254	1,820
Total liabilities	377,858	378,103	308,510
<u>Shareholders' equity</u>			
Preferred stock	5,952	5,940	5,906
Common stock	29,556	29,502	29,246
Retained earnings (accumulated deficit)	1,171	592	(1,228)
Accumulated other comprehensive income (loss)	1,184	1,322	(229)
Total shareholders' equity	37,863	37,356	33,695
Total liabilities and shareholders' equity	<u>\$415,721</u>	<u>\$415,459</u>	<u>\$342,205</u>
Tier 1 leverage ratio	8.88%	8.86%	10.37%
Tier 1 risk-based capital ratio	10.78%	10.75%	11.51%
Total risk-based capital ratio	12.03%	12.00%	12.84%
Book value per share (excluding TARP)	\$12.19	\$12.05	\$10.59

Avidbank Holdings, Inc.
Statements of Operations (\$000)
(Unaudited)

	For the Years Ended		Three Months Ended	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Interest and fees on loans	\$ 14,787	\$ 12,850	\$ 3,836	\$ 3,210
Interest on investment securities	2,080	1,903	505	544
Other interest income	<u>142</u>	<u>98</u>	<u>52</u>	<u>22</u>
Total interest income	17,009	14,851	4,393	3,776
Interest expense	<u>1,840</u>	<u>2,279</u>	<u>389</u>	<u>495</u>
Net interest income	15,169	12,572	4,004	3,281
Provision for loan losses	<u>480</u>	<u>435</u>	<u>380</u>	<u>385</u>
Net interest income after provision for loan losses	14,689	12,137	3,624	2,896
Service charges, fees and other income	467	358	122	98
Income from stock warrants		217		
Gain on sale of investment securities	<u>337</u>	<u>68</u>	<u>337</u>	<u>-</u>
Total non-interest income	804	643	459	98
Compensation and benefit expenses	6,289	5,274	1,656	1,312
Occupancy and equipment expenses	1,882	1,571	480	367
Other operating expenses	<u>2,519</u>	<u>2,671</u>	<u>722</u>	<u>771</u>
Total non-interest expense	10,690	9,516	2,858	2,450
Income before income taxes	4,803	3,264	1,225	544
Provision for (benefit from) income taxes	<u>2,058</u>	<u>(573)</u>	<u>560</u>	<u>(872)</u>
Net income	<u>\$ 2,745</u>	<u>\$ 3,837</u>	<u>\$ 665</u>	<u>\$ 1,416</u>
Preferred dividends & warrant amortization	<u>346</u>	<u>556</u>	<u>86</u>	<u>86</u>
Net income applicable to common shareholders	<u>\$ 2,399</u>	<u>\$ 3,281</u>	<u>\$ 579</u>	<u>\$ 1,330</u>
Basic earnings per common share	\$ 0.92	\$ 1.26	\$ 0.22	\$ 0.51
Diluted earnings per common share	\$ 0.91	\$ 1.26	\$ 0.22	\$ 0.51
Average shares outstanding	2,610,998	2,602,276	2,614,318	2,602,276
Average fully diluted shares	2,630,084	2,605,586	2,633,404	2,605,586
Total shares outstanding at period end	2,614,655	2,602,276	2,614,655	2,602,276
Return on average assets	0.72%	1.16%	0.64%	1.69%
Return on average common equity	9.34%	14.61%	8.75%	20.74%
Net interest margin	4.16%	4.09%	4.03%	4.17%
Cost of funds	0.54%	0.78%	0.41%	0.66%
Efficiency ratio	67%	72%	64%	73%