

FOR IMMEDIATE RELEASE

**PRESS RELEASE**

**Avidbank Holdings, Inc. Announces Net Income of \$1,207,000  
for the First Quarter of 2016**

PALO ALTO, CA -- (Business Wire) -- 04/26/16 -- Avidbank Holdings, Inc. ("the Company") (OTCBB: AVBH), a bank holding company and the parent company of Avidbank ("the Bank"), an independent full-service commercial bank serving businesses and consumers in Northern California, announced unaudited consolidated net income of \$1,207,000 for the first quarter of 2016 compared to \$374,000 for the same period in 2015.

First Quarter 2016 Financial Highlights

- Net interest income was \$5,571,000 for the first quarter of 2016, an increase of \$514,000 over the \$5,057,000 we achieved in the first quarter of 2015. The 10% increase over the prior year quarter reflects the improved earnings potential resulting from our significant loan growth in 2015.
- Net income was \$1,207,000 for the first quarter of 2016, compared to \$374,000 for the first quarter of 2015. Results for the first quarter of 2016 included no loan loss provision compared to a \$1,031,000 loan loss provision in the first quarter of 2015.
- Diluted earnings per common share were \$0.26 for the first quarter of 2016, compared to \$0.08 for the first quarter of 2015.
- Total assets grew by 2% in the first three months of 2016, ending the first quarter at \$613 million.
- Total loans outstanding grew by 5% in the first three months of 2016, ending the first quarter at \$423 million.
- Total deposits grew by 2% in the first three months of 2016, ending the first quarter at \$542 million.
- The Company continues to be well capitalized with a Tier 1 Leverage Ratio of 9.3%, a Tier 1 Risk Based Capital and Common Equity Tier 1 Risk Based Capital Ratio of 9.9%, and a Total Risk Based Capital Ratio of 12.9%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, "Our first quarter results reflect the new level of financial stability and performance we have achieved after two solid years of building our business. Our loans grew by \$20 million in the quarter to help maintain a strong earnings base. Our net interest income increased to \$5.6 million, a 10% increase over the first quarter of 2015. We are committed to making the investments in personnel and infrastructure required to keep expanding our business and product lines while maintaining credit quality. Our non-performing loans have dropped to 0.45% of total loans compared to 1.95% one year ago. We continue to manage our expenses and our efficiency ratio has improved to 66% compared to 70% for the first quarter of the prior year. The increased efficiencies from our growth allow us to make additional investments in loan production and loan underwriting capacity which will drive our future profitability."

"The Bank's total deposits increased by \$11 million in the first quarter of 2016 as organic deposit growth was offset by some large drawdowns in client demand deposits. Core deposits make up over 85% of total deposits and our demand deposits and interest checking accounts were 41% of total deposits as of March 31, 2016," noted Mr. Mordell. "Our \$12 million ten year subordinated debt raise has led to a drop in our net interest margin to 3.94% in the first quarter of 2016 compared to 4.44% for the comparable quarter in 2015. This debt bears interest at 6.875% annually and is fixed for the first five years and variable with LIBOR for the remainder of the term. We downstreamed \$2 million of this debt as capital to the Bank in December 2015 and will downstream additional funds as needed to maintain appropriate regulatory capital ratios and to limit our real estate loan concentrations as a percentage of shareholders' equity."

### Results for the quarter ended March 31, 2016

For the three months ended March 31, 2016, net interest income before provision for loan losses was \$5.6 million, an increase of \$0.5 million or 10% compared to the first quarter of 2015. The increase was primarily the result of higher average loans outstanding partially offset by an increase in interest expense. Average gross loans outstanding for the quarter ended March 31, 2016 were \$411.9 million, compared to \$360.5 million for the same quarter in 2015, an increase of \$51.4 million or 14%. Average earning assets were \$569.1 million in the first quarter of 2016, a 23% increase over the first quarter of the prior year. The mix of average earning assets were comprised of 72% loans at the end of the first quarter 2016 compared to 78% loans at the end of the first quarter of 2015. Net interest margin was 3.94% for the first quarter of 2016, compared to 4.44% for the first quarter of 2015. Net interest margin decreased due to the cost of our subordinated debt and an increase in lower yielding Fed Funds. No loan loss provision was taken in the first quarter of 2016 and a loan loss provision of \$1,031,000 was taken in the first quarter of 2015.

Non-interest income was \$385,000 in the first quarter of 2016, an increase of \$53,000 or 16% over the first quarter of 2015. The increase was due to increases in FHLB dividends, service charges and other fee generation activities. There were no gains or losses on sales of securities in the first quarter of 2016 or 2015.

Non-interest expense grew by \$172,000 in the first quarter of 2016 to \$3.9 million compared to \$3.8 million for the first quarter of 2015. This increase was due to hiring additional loan production personnel and partially offset by a decrease in occupancy expense due to the sublease of excess space in our Redwood City office. The Bank's full time equivalent employees at March 31, 2016 and 2015 were 65 and 63, respectively. The Bank's efficiency ratio improved from 70% in the first quarter of 2015 to 66% in the first quarter of 2016.

### Balance Sheet

Total assets increased to \$613 million as of March 31, 2016, compared to \$602 million at December 31, 2015 and \$527 million on the same date one year ago. The increase in total assets of \$11.7 million, or 2%, from December 31, 2015 was primarily due to an increase in loans in the first quarter of 2016. The Company reported gross loans outstanding at March 31, 2016 of \$423 million, which represented an increase of \$20.2 million, or 5%, over \$403 million at December 31, 2015, and an increase of \$39.4 million, or 10%, over \$383 million at March 31, 2015. The increase in total gross loans from December 31, 2015 was primarily attributable to increased construction and commercial real estate loans. The increase in loans from March 31, 2015 was attributable to growth in the construction, commercial real estate and commercial lending categories.

Non-accrual loans totaled \$1.9 million or 0.45% of total loans on March 31, 2016 compared to \$7.5 million or 1.95% of total loans at the end of the first quarter of the prior year. "The credit quality of our portfolio continues to improve and our non-performing loans currently represent a single relationship," observed Mr. Mordell.

The Company's total deposits were \$542 million as of March 31, 2016, which represented an increase of \$10.6 million, or 2%, compared to \$532 million at December 31, 2015 and an increase of \$153 million, or 39%, compared to \$389 million at March 31, 2015. The increase in deposits from December 31, 2015 was primarily attributable to an increase in brokered deposits, while the increase from March 31, 2015 was primarily attributable to an increase in money market accounts, demand deposits and brokered deposits.

Demand and transaction deposits represented 40.6% of total deposits at March 31, 2016, compared to 43.1% at December 31, 2015 and 45.8% for the same period one year ago. Core deposits represented 85.3% of total deposits at March 31, 2016, compared to 88.5% at December 31, 2015 and 93.4% at March 31, 2015.

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. These statements are based on current expectations, estimates and projections about Avidbank's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including those described above and the following: Avidbank's timely implementation of new products and services, technological changes, changes in consumer spending and savings habits and other risks discussed from time to time in Avidbank's reports and filings with banking regulatory agencies. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made, and Avidbank does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

Contact: Steve Leen  
Executive Vice President and Chief Financial Officer  
650-843-2204  
[sleen@avidbank.com](mailto:sleen@avidbank.com)  
[avidbank.com](http://avidbank.com)

**Avidbank Holdings, Inc.****Consolidated Balance Sheets**

(\$000, except share, per share amounts and ratios) (Unaudited)

<u>Assets</u>	<u>3/31/16</u>	<u>12/31/15</u>	<u>9/30/15</u>	<u>6/30/15</u>	<u>3/31/15</u>
Cash and due from banks	\$27,125	\$21,277	\$21,674	\$19,773	\$17,321
Fed funds sold	73,885	89,045	36,220	35,875	20,830
Total cash and cash equivalents	101,010	110,322	57,894	55,648	38,151
Investment securities - available for sale	68,541	69,766	71,723	74,560	83,316
Loans, net of deferred loan fees	422,855	402,658	425,224	404,036	383,422
Allowance for loan losses	(5,406)	(5,394)	(5,394)	(5,122)	(5,912)
Loans, net of allowance for loan losses	417,449	397,264	419,830	398,914	377,510
Bank owned life insurance	12,380	12,293	12,204	12,116	12,029
Premises and equipment, net	795	862	901	989	1,046
Accrued interest receivable & other assets	13,169	11,129	14,197	13,995	15,256
Total assets	\$613,344	\$601,636	\$576,749	\$556,222	\$527,308
<u>Liabilities</u>					
Non-interest-bearing demand deposits	\$199,630	\$207,296	\$173,600	\$174,265	\$156,606
Interest bearing transaction accounts	20,391	22,068	19,771	18,647	21,567
Money market and savings accounts	229,031	227,089	230,865	202,758	170,872
Time deposits	93,273	75,291	67,054	67,100	39,873
Total deposits	542,325	531,744	491,290	462,770	388,918
FHLB advances	-	-	25,000	35,000	80,000
Subordinated debt	12,000	12,000	-	-	-
Other liabilities	1,912	2,267	6,192	5,816	5,859
Total liabilities	556,237	546,011	522,482	503,586	474,777
<u>Shareholders' equity</u>					
Common stock/additional paid-in capital	45,610	45,950	47,032	46,891	45,596
Retained earnings	11,102	9,724	6,981	5,712	6,441
Accumulated other comprehensive income	395	(49)	254	33	494
Total shareholders' equity	57,107	55,625	54,267	52,636	52,531
Total liabilities and shareholders' equity	\$613,344	\$601,636	\$576,749	\$556,222	\$527,308
<u>Capital ratios</u>					
Tier 1 leverage ratio	9.30%	9.41%	9.52%	9.58%	10.35%
Tier 1 and Common Equity Tier 1 RBC ratio	9.91%	10.21%	9.57%	9.83%	10.09%
Total risk-based capital (RBC) ratio	12.94%	13.40%	10.60%	10.86%	11.32%
Book value per common share	\$12.59	\$12.49	\$12.20	\$11.86	\$11.93
Total common shares outstanding	4,537,577	4,452,853	4,448,898	4,439,743	4,402,292
<u>Other Ratios</u>					
Non-interest bearing/total deposits	36.8%	39.0%	35.3%	37.7%	40.3%
Loan to deposit ratio	78.0%	75.7%	86.6%	87.3%	98.6%
Allowance for loan losses/total loans	1.28%	1.34%	1.27%	1.27%	1.54%

**Avidbank Holdings, Inc.****Condensed Consolidated Statements of Income**

(\$000, except share, per share amounts and ratios) (Unaudited)

	Quarter Ended		
	3/31/16	12/31/15	3/31/15
Interest and fees on loans and leases	\$5,520	\$5,745	\$4,748
Interest on investment securities	433	426	486
Other interest income	107	49	11
Total interest income	6,060	6,220	5,245
Deposit interest expense	278	284	164
Other interest expense	211	115	24
Total interest expense	489	399	188
Net interest income	5,571	5,821	5,057
Provision for loan losses	-	-	1,031
Net interest income after provision for loan losses	5,571	5,821	4,026
Service charges, fees and other income	298	285	248
Income from bank owned life insurance	87	89	84
Gain (Loss) on sale of investment securities	-	-	-
Total non-interest income	385	374	332
Compensation and benefit expenses	2,615	2,202	2,434
Occupancy and equipment expenses	566	594	611
Other operating expenses	752	869	716
Total non-interest expense	3,933	3,665	3,761
Income before income taxes	2,023	2,530	597
Provision for income taxes	816	885	223
Net income	\$1,207	\$1,645	\$374
Basic earnings per common share	\$0.27	\$0.37	\$0.09
Diluted earnings per common share	\$0.26	\$0.36	\$0.08
Average common shares outstanding	4,505,140	4,450,315	4,362,204
Average common fully diluted shares	4,607,307	4,570,053	4,475,556
Annualized returns:			
Return on average assets	0.79%	1.12%	0.30%
Return on average common equity	8.53%	11.92%	2.85%
Net interest margin	3.94%	4.21%	4.44%
Cost of funds	0.35%	0.30%	0.18%
Efficiency ratio	66.03%	59.16%	69.79%

**Avidbank Holdings, Inc.****Credit Trends**

(\$000, except ratios) (Unaudited)

	<u>3/31/16</u>	<u>12/31/15</u>	<u>9/30/15</u>	<u>6/30/15</u>	<u>3/31/15</u>
<u>Allowance for Loan Losses</u>					
Balance, beginning of quarter	\$5,394	\$5,394	\$5,122	\$5,912	\$4,873
Provision for loan losses, quarterly	-	-	259	1,756	1,031
Charge-offs, quarterly	-	-	-	(2,554)	-
Recoveries, quarterly	12	-	13	8	8
Balance, end of quarter	<u>\$5,406</u>	<u>\$5,394</u>	<u>\$5,394</u>	<u>\$5,122</u>	<u>\$5,912</u>

Nonperforming Assets

Loans accounted for on a non-accrual basis	\$1,898	\$1,899	\$2,409	\$3,930	\$7,478
Loans with principal or interest contractually past due 90 days or more and still accruing interest	-	-	-	-	-
Nonperforming loans	<u>1,898</u>	<u>1,899</u>	<u>2,409</u>	<u>3,930</u>	<u>7,478</u>
Other real estate owned	-	-	-	-	-
Nonperforming assets	<u>\$1,898</u>	<u>\$1,899</u>	<u>\$2,409</u>	<u>\$3,930</u>	<u>\$7,478</u>
Loans restructured and in compliance with modified terms	466	470	474	477	481
Nonperforming assets & restructured loans	<u>\$2,364</u>	<u>\$2,369</u>	<u>\$2,883</u>	<u>\$4,407</u>	<u>\$7,959</u>

## Nonperforming Assets by Type:

Commercial	\$1,898	\$1,899	\$2,409	\$3,930	\$7,478
Other real estate	-	-	-	-	-
Nonperforming loans	<u>\$1,898</u>	<u>\$1,899</u>	<u>\$2,409</u>	<u>\$3,930</u>	<u>\$7,478</u>

Asset Quality Ratios

Allowance for loan losses / gross loans	1.28%	1.34%	1.27%	1.27%	1.54%
Allowance for loan losses / nonperforming loans	284.83%	284.04%	223.91%	130.33%	79.06%
Nonperforming assets / total assets	0.31%	0.32%	0.42%	0.71%	1.42%
Nonperforming loans / gross loans	0.45%	0.47%	0.57%	0.97%	1.95%
Net quarterly charge-offs / gross loans	0.00%	0.00%	0.00%	0.63%	0.00%