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**PRESS RELEASE**

# Avidbank Holdings, Inc. Announces Net Income of $7,263,000 for the Year Ended 2016

PALO ALTO, CA – (Business Wire) – 01/31/17 – 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 $7,263,000 for 2016, a 97% increase compared to $3,681,000 for 2015.

Full Year and Fourth Quarter 2016 Financial Highlights

- Net income in 2016 included $1,472,000 of income from life insurance benefits, offset by increases in interest expense on borrowings of $665,000 and a loan loss provision of $813,000. Results in 2015 included a provision for loan losses of $3,047,000. Net income excluding life insurance benefits was $5,791,000 in 2016, a 57% increase compared to $3,681,000 for 2015. Net interest income was $24,261,000 in 2016, an increase of $2,008,000 or 9% over the figure recorded in 2015.
- Diluted earnings per common share were $1.56 in 2016, compared to $0.81 in 2015.
- Net interest income was $6,440,000 for the fourth quarter of 2016, an increase of $619,000 over the $5,821,000 we achieved in the fourth quarter of 2015. The 11% increase over the prior year quarter reflects the improved revenue resulting from our continued loan growth in 2016 partially offset by subordinated debt borrowing costs.
- Net income was $1,122,000 for the fourth quarter of 2016, compared to $1,645,000 for the fourth quarter of 2015. Results for the fourth quarter of 2016 included a $813,000 loan loss provision compared to no loan loss provision in the fourth quarter of 2015.
- Diluted earnings per common share were $0.24 for the fourth quarter of 2016, compared to $0.36 for the fourth quarter of 2015.
- Total assets grew by 7% in 2016, ending the fourth quarter at $647 million.
- Total loans net of deferred fees grew by 28% in 2016, ending the fourth quarter at $515 million.
- Total deposits grew by 7% in 2016, ending the fourth quarter at $568 million.
- The Company continues to be well capitalized with a Tier 1 Leverage Ratio of 10.0%, a Tier 1 Risk Based Capital and Common Equity Tier 1 Risk Based Capital Ratio of 9.7%, and a Total Risk Based Capital Ratio of 12.4%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, “Net interest income increased to $6.4 million in the fourth quarter of 2016, an 11% increase over the fourth quarter of 2015 as our strong loan growth continues. Loans grew $67 million in the fourth quarter with substantial gains in all major lending categories including C&I, Specialty Finance, Commercial Real Estate and Construction Lending. As a result of this significant growth, we incurred a $0.8 million loan loss provision in the fourth quarter, increasing our loan loss reserve to $6.2 million. We are pleased that as of December 31, 2016 we have no non-performing loans. The holding company contributed $4 million in capital to the Bank in December to strengthen our regulatory capital ratios and provide for future growth.”

"We continue to maintain cautious and realistic underwriting standards as real estate and business valuations in the Bay Area are at or above historically high levels. We have added a senior credit executive to our executive team to bolster our underwriting process as we strive to build quality portfolios across all divisions. Non-interest expenses increased by $852,000 to $15.8 million in 2016 from $14.9 million in 2015 primarily due to increased investments in lending personnel. Our efficiency ratio improved to 60.7% in 2016, excluding life insurance benefits, from 62.6% in 2015 as we gain efficiencies with our growth in earning assets. The Bank's total deposits decreased by $31 million in the fourth quarter of 2016, and increased by $36 million from the same quarter in 2015. Both changes were due to fluctuations in large demand deposit accounts. As a result, our core deposits decreased to 86.4% of total deposits in December 2016 from 92.2% in September 2016. Our net interest margin was 4.14% for the quarter ended December 2016 compared to 3.78% for the immediately preceding quarter due to changes in the mix of earning assets in favor of higher yielding loans."

Results for the year ended December 31, 2016

Net interest income before provision for loan losses was $24.3 million in 2016, an increase of $2.0 million or 9% over the prior year. Higher outstanding average loan balances were the primary reason for the increase. Average loans net of deferred fees were $439 million for 2016 compared to $397 million for 2015. Average earning assets were $597 million in 2016, a 17% increase over the prior year. Net interest margin was 4.06% for 2016 compared to 4.36% for 2015. The decrease in net interest margin was primarily caused by a decline in loan yields due to the current competitive interest rate environment and by increased subordinated debt borrowing costs. A loan loss provision of $813,000 was recorded in 2016 and a $3,047,000 provision was taken in 2015. We had no charge-offs and recoveries of $37,000 in the year ended 2016 compared to charge-offs of $2,554,000 and recoveries of $27,000 for 2015.

Non-interest income was $3,220,000 in 2016, an increase of $1,608,000 or 100% over 2015, which was primarily attributable to $1,472,000 in life insurance benefits received in the second quarter of 2016.

Non-interest expense increased by $852,000 to $15.8 million in 2016 compared to $14.9 million in 2015 as investments in loan production personnel were partially offset by increased deferred costs on new loan originations and loan renewals.

The effective tax rate was 33.2% in 2016 compared to 37.4% in 2015. The decrease in the effective tax rate in 2016 was due to proceeds from life insurance benefits.

Results for the quarter ended December 31, 2016

For the three months ended December 31, 2016, net interest income before provision for loan losses was $6.4 million, an increase of $0.6 million or 11% compared to the fourth quarter of 2015. The increase was primarily the result of higher average loans outstanding partially offset by an increase in interest expense from subordinated debt borrowing costs. Average gross loans outstanding for the quarter ended December 31, 2016 were $476.5 million, compared to $409.2 million for the same quarter in 2015, an increase of $67.3 million or 16%. Average earning assets were $618.3 million in the fourth quarter of 2016, a 13% increase over the fourth quarter of the prior year. Loans made up 77% of average earning assets at the end of the fourth quarter of 2016 compared to 75% at the end of the fourth quarter of 2015. Net interest margin was 4.14% for the fourth quarter of 2016, compared to 4.20% for the fourth quarter of 2015. A loan loss provision of $813,000 was taken in the fourth quarter of 2016 and no loan loss provision was taken in the fourth quarter of 2015.

Non-interest income was $540,000 in the fourth quarter of 2016, an increase of $166,000 or 44% compared to the fourth quarter of 2015. The increase was primarily due to a $136,000 FHLB special dividend received in November.

Non-interest expense increased by $840,000 in the fourth quarter of 2016 to $4,505,000 compared to $3,665,000 for the fourth quarter of 2015. This increase was primarily due to higher compensation costs related to increased staffing and performance bonuses, and was partially offset by increased deferrals of loan origination costs resulting from greater lending activity. The Bank's full time equivalent employees at December 31, 2016 and 2015 were 68 and 63, respectively. The Bank's efficiency ratio increased from 59.2% in the fourth quarter of 2015 to 64.5% in the fourth quarter of 2016 due to increased staffing expenses.

Balance Sheet

Total assets decreased to $647 million as of December 31, 2016, compared to $677 million at September 30, 2016 and $602 million on the same date one year ago. The decrease in total assets of $30 million, or 4%, from September 30, 2016 was primarily due to a decrease in demand deposits in the fourth quarter of 2016. The Company reported gross loans outstanding at December 31, 2016 of $515 million, which represented an increase of $67 million, or 15%, from $448 million at September 30, 2016, and an increase of $112 million, or 28%, over $403 million at December 31, 2015. The increase in total gross loans from September 30, 2016 was primarily attributable to increased Commercial Real Estate, Construction and C&I loans. The increase in loans from December 31, 2015 was primarily attributable to growth in Construction, CRE and Specialty Finance loans.

Balance Sheet (continued)

We had no non-accrual loans on December 31, 2016 compared to $1.9 million non-accrual loans comprising 0.47% of total loans at the end of the fourth quarter of the prior year. "Credit quality remains the primary consideration in our lending decisions and we strive to keep our non-performing loans to a minimum," observed Mr. Mordell.

The Company's total deposits were $568 million as of December 31, 2016, which represented a decrease of $31 million, or 5%, compared to $599 million at September 30, 2016 and an increase of $36 million, or 7%, compared to $532 million at December 31, 2015. The decrease in deposits from September 30, 2016 was due to a drop in demand deposit accounts partially offset by an increase in brokered time deposits, while the increase from December 31, 2015 was caused by an increase in demand deposits and, to a lesser extent, time deposits.

Demand and transaction deposits represented 45.9% of total deposits at December 31, 2016, compared to 53.1% at September 30, 2016 and 43.1% for the same period one year ago. Core deposits represented 86.4% of total deposits at December 31, 2016, compared to 92.2% at September 30, 2016 and 88.5% at December 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, specialty 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.

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**Avidbank Holdings, Inc.**
**Consolidated Balance Sheets**
($000, except share and per share amounts) (Unaudited)

| Assets | 12/31/16 | 9/30/16 | 6/30/16 | 3/31/16 | 12/31/15 |
|---|---|---|---|---|---|
| Cash and due from banks | $12,458 | $15,363 | $23,797 | $27,125 | $21,277 |
| Fed funds sold | 7,841 | 92,950 | 80,775 | 73,885 | 89,045 |
| Total cash and cash equivalents | 20,299 | 108,313 | 104,572 | 101,010 | 110,322 |
| Investment securities - available for sale | 89,686 | 100,350 | 94,853 | 68,541 | 69,766 |
| Loans, net of deferred loan fees | 514,769 | 447,852 | 418,809 | 422,855 | 402,658 |
| Allowance for loan losses | (6,244) | (5,431) | (5,431) | (5,406) | (5,394) |
| Loans, net of allowance for loan losses | 508,525 | 442,421 | 413,378 | 417,449 | 397,264 |
| Bank owned life insurance | 10,334 | 10,261 | 10,186 | 12,380 | 12,293 |
| Premises and equipment, net | 600 | 640 | 704 | 795 | 862 |
| Accrued interest receivable & other assets | 17,211 | 14,895 | 17,521 | 13,169 | 11,129 |
| Total assets | $646,655 | $676,880 | $641,214 | $613,344 | $601,636 |
| Liabilities | | | | | |
| Non-interest-bearing demand deposits | $241,362 | $298,275 | $258,978 | $199,630 | $207,296 |
| Interest bearing transaction accounts | 19,420 | 20,034 | 17,717 | 20,391 | 22,068 |
| Money market and savings accounts | 215,656 | 219,203 | 216,564 | 229,031 | 227,089 |
| Time deposits | 91,560 | 61,793 | 72,917 | 93,273 | 75,291 |
| Total deposits | 567,998 | 599,305 | 566,176 | 542,325 | 531,744 |
| Subordinated debt, net | 11,677 | 11,655 | 11,631 | 11,627 | 11,613 |
| Other liabilities | 3,471 | 2,883 | 2,396 | 2,285 | 2,655 |
| Total liabilities | 583,146 | 613,843 | 580,202 | 556,237 | 546,011 |
| Shareholders' equity | | | | | |
| Common stock/additional paid-in capital | 47,289 | 46,539 | 46,082 | 45,610 | 45,950 |
| Retained earnings | 17,157 | 16,036 | 14,401 | 11,102 | 9,724 |
| Accumulated other comprehensive income (loss) | (937) | 462 | 529 | 395 | (49) |
| Total shareholders' equity | 63,509 | 63,037 | 61,012 | 57,107 | 55,625 |
| Total liabilities and shareholders' equity | $646,655 | $676,880 | $641,214 | $613,344 | $601,636 |
| Capital ratios | | | | | |
| Tier 1 leverage ratio | 9.96% | 9.42% | 9.83% | 9.30% | 9.41% |
| Tier 1 and Common Equity Tier 1 RBC ratio | 9.67% | 10.12% | 10.37% | 9.91% | 10.21% |
| Total risk-based capital (RBC) ratio | 12.41% | 12.94% | 13.36% | 12.94% | 13.40% |
| Book value per common share | $13.50 | $13.46 | $13.27 | $12.59 | $12.49 |
| Total common shares outstanding | 4,704,297 | 4,682,851 | 4,596,200 | 4,537,577 | 4,452,853 |
| Other Ratios | | | | | |
| Non-interest bearing/total deposits | 42.5% | 49.8% | 45.7% | 36.8% | 39.0% |
| Loan to deposit ratio | 90.6% | 74.7% | 74.0% | 78.0% | 75.7% |
| Allowance for loan losses/total loans | 1.21% | 1.21% | 1.30% | 1.28% | 1.34% |

**Avidbank Holdings, Inc.**
**Condensed Consolidated Statements of Income**
($000, except share and per share amounts) (Unaudited)

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | 12/31/16 | 9/30/16 | 12/31/15 | 12/31/16 | 12/31/15 |
| Interest and fees on loans and leases | $6,401 | $5,856 | $5,745 | $24,036 | $21,543 |
| Interest on investment securities | 487 | 495 | 426 | 1,834 | 1,730 |
| Other interest income | 65 | 121 | 49 | 380 | 94 |
| Total interest income | 6,953 | 6,472 | 6,220 | 26,250 | 23,367 |
| | | | | | |
| Deposit interest expense | 300 | 279 | 284 | 1,135 | 925 |
| Other interest expense | 213 | 213 | 115 | 854 | 189 |
| Total interest expense | 513 | 492 | 399 | 1,989 | 1,114 |
| Net interest income | 6,440 | 5,980 | 5,821 | 24,261 | 22,253 |
| | | | | | |
| Provision for loan losses | 813 | - | - | 813 | 3,047 |
| Net interest income after provision for loan losses | 5,627 | 5,980 | 5,821 | 23,448 | 19,206 |
| | | | | | |
| Service charges, fees and other income | 467 | 291 | 285 | 1,437 | 1,297 |
| Income from bank owned life insurance | 73 | 75 | 89 | 1,786 | 348 |
| Gain (Loss) on sale of investment securities | - | (4) | - | (4) | (33) |
| Total non-interest income | 540 | 362 | 374 | 3,220 | 1,612 |
| | | | | | |
| Compensation and benefit expenses | 2,889 | 2,145 | 2,202 | 9,923 | 9,288 |
| Occupancy and equipment expenses | 594 | 525 | 594 | 2,200 | 2,446 |
| Other operating expenses | 1,022 | 881 | 869 | 3,670 | 3,207 |
| Total non-interest expense | 4,505 | 3,551 | 3,665 | 15,793 | 14,941 |
| | | | | | |
| Income before income taxes | 1,662 | 2,791 | 2,530 | 10,875 | 5,877 |
| Provision for income taxes | 540 | 1,156 | 885 | 3,612 | 2,196 |
| Net income | $1,122 | $1,635 | $1,645 | $7,263 | $3,681 |
| | | | | | |
| Basic earnings per common share | $0.24 | $0.36 | $0.37 | $1.61 | $0.83 |
| Diluted earnings per common share | $0.24 | $0.35 | $0.36 | $1.56 | $0.81 |
| | | | | | |
| Average common shares outstanding | 4,596,713 | 4,586,849 | 4,450,315 | 4,521,392 | 4,421,580 |
| Average common fully diluted shares | 4,716,502 | 4,694,744 | 4,570,053 | 4,656,713 | 4,519,136 |
| | | | | | |
| Annualized returns: | | | | | |
| Return on average assets | 0.69% | 0.98% | 1.12% | 1.14% | 0.67% |
| Return on average common equity | 7.01% | 10.50% | 11.92% | 12.06% | 6.87% |
| | | | | | |
| Net interest margin | 4.14% | 3.78% | 4.20% | 4.06% | 4.36% |
| Cost of funds | 0.35% | 0.33% | 0.30% | 0.35% | 0.23% |
| Efficiency ratio | 64.54% | 55.99% | 59.16% | 57.47% | 62.61% |

**Avidbank Holdings, Inc.**
**Credit Trends**
($000) (Unaudited)

| | 12/31/16 | 9/30/16 | 6/30/16 | 3/31/16 | 12/31/15 |
|---|---|---|---|---|---|
| Allowance for Loan Losses | | | | | |
| Balance, beginning of quarter | $5,431 | $5,431 | $5,406 | $5,394 | $5,394 |
| Provision for loan losses, quarterly | 813 | - | - | - | - |
| Charge-offs, quarterly | - | - | - | - | - |
| Recoveries, quarterly | - | - | 25 | 12 | - |
| Balance, end of quarter | $6,244 | $5,431 | $5,431 | $5,406 | $5,394 |
| | | | | | |
| Nonperforming Assets | | | | | |
| Loans accounted for on a non-accrual basis | $0 | $392 | $392 | $1,898 | $1,899 |
| Loans with principal or interest contractually past due 90 days or more and still accruing interest | - | - | - | - | - |
| Nonperforming loans | - | 392 | 392 | 1,898 | 1,899 |
| Other real estate owned | - | - | - | - | - |
| Nonperforming assets | $0 | $392 | $392 | $1,898 | $1,899 |
| Loans restructured and in compliance with modified terms | - | 457 | 462 | 466 | 470 |
| Nonperforming assets & restructured loans | $0 | $849 | $854 | $2,364 | $2,369 |
| | | | | | |
| Nonperforming Loans by Type: | | | | | |
| Commercial | $0 | $392 | $392 | $1,898 | $1,899 |
| Real Estate Loans | - | - | - | - | - |
| Total Nonperforming loans | $0 | $392 | $392 | $1,898 | $1,899 |
| | | | | | |
| Asset Quality Ratios | | | | | |
| Allowance for loan losses (ALLL) / gross loans | 1.21% | 1.21% | 1.30% | 1.28% | 1.34% |
| ALLL / nonperforming loans | 0.00% | 1385.46% | 1385.46% | 284.83% | 284.04% |
| Nonperforming assets / total assets | 0.00% | 0.06% | 0.06% | 0.31% | 0.32% |
| Nonperforming loans / gross loans | 0.00% | 0.09% | 0.09% | 0.45% | 0.47% |
| Net quarterly charge-offs / gross loans | 0.00% | 0.00% | -0.01% | 0.00% | 0.00% |