Avidbank Holdings, Inc.

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PRESS RELEASE

Avidbank Holdings, Inc. Announces Net Income of $1,554,000 for the First Quarter of 2017

PALO ALTO, CA – (Business Wire) – 04/24/17 – 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 $1,554,000 for 2017, a 29% increase compared to $1,207,000 for 2016.

First Quarter 2017 Financial Highlights

- Net interest income was $6,968,000 for the first quarter of 2017, an increase of $1,397,000 over the $5,571,000 we achieved in the first quarter of 2016. The 25% increase over the prior year quarter reflects the improved revenue resulting from our continued loan growth in 2017.
- Net income was $1,554,000 for the first quarter of 2017, compared to $1,207,000 for the first quarter of 2016. Results for the first quarter of 2017 included a $721,000 loan loss provision compared to no loan loss provision in the first quarter of 2016.
- Diluted earnings per common share were $0.33 for the first quarter of 2017, compared to $0.26 for the first quarter of 2016.
- Total assets grew by 9% in the first three months of 2017, ending the first quarter at $702 million.
- Total loans net of deferred fees grew by 8% in the first three months of 2017, ending the first quarter at $557 million.
- Total deposits grew by 4% in the first three months of 2017, ending the first quarter at $593 million.
- The Company continues to be well capitalized with a Tier 1 Leverage Ratio of 9.5%, a Tier 1 Risk Based Capital and Common Equity Tier 1 Risk Based Capital Ratio of 9.2%, and a Total Risk Based Capital Ratio of 11.9%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, "Net interest income increased to $7.0 million in the first quarter of 2017, a 25% increase over the first quarter of 2016 as our loan growth continues. Loans grew $42 million in the first quarter of 2017 on top of our $67 million of growth in the fourth quarter of 2016. All lending divisions, Specialty Finance, Commercial Real Estate, C&I and Construction Lending, had solid increases in loans outstanding. As a result of this increased growth, we recorded a $0.7 million loan loss provision in the first quarter, increasing our loan loss reserve to $7.0 million. We are pleased that as of March 31, 2017 we do not have any non-performing loans."

Mordell concluded, "We continue to maintain cautious and realistic underwriting standards as real estate and business valuations in the Bay Area are at historically high levels. We have added lending production and support staff to accommodate our growth. Non-interest expenses increased by $462,000 to $4.4 million in the first quarter of 2017 from $3.9 million in the first quarter of 2016 primarily due to the increased investments in personnel and costs associated with our growth in both loans and deposits. Our efficiency ratio improved to 58.7% in the first quarter of 2017 from 66.0% in the first quarter 2016 as we gain efficiencies with our growth in earning assets. The Bank's total deposits increased by $25 million in the first quarter of 2017 and increased by $50 million from the same quarter in 2016. Both changes were due to increases in demand deposit accounts. As a result, our core deposits increased to 86.6% of total deposits in March 2017 from 85.3% in March 2016. Our net interest margin was 4.26% for the quarter ended March 2017 compared to 4.14% for the immediately preceding quarter due to changes in the mix of earning assets in favor of higher yielding loans."

Results for the quarter ended March 31, 2017

For the three months ended March 31, 2017, net interest income before provision for loan losses was $7 million, an increase of $1.4 million or 25% compared to the first quarter of 2016. The increase was primarily the result of higher average loans outstanding. Average gross loans outstanding for the quarter ended March 31, 2017 were $539.1 million, compared to $413.2 million for the same quarter in 2016, an increase of $125.9 million or 30%. Average earning assets were $662.7 million in the first quarter of 2017, a 16% increase over the first quarter of the prior year. Loans made up 81% of average earning assets at the end of the first quarter of 2017 compared to 72% at the end of the first quarter of 2016. Net interest margin was 4.26% for the first quarter of 2017, compared to 3.93% for the first quarter of 2016. A provision for loan losses of $721,000 was recorded in the first quarter of 2017 and no loan loss provision was taken in the first quarter of 2016.

Non-interest income was $521,000 in the first quarter of 2017, an increase of $136,000 or 35% compared to the first quarter of 2016. The increase was primarily due to $112,000 in income from the exercise of common stock warrants relating to a Specialty Finance loan.

Non-interest expense increased by $462,000 in the first quarter of 2017 to $4,395,000 compared to $3,933,000 for the first quarter of 2016. This increase was primarily due to higher compensation costs related to increased staffing and was partially offset by increased deferrals of loan origination costs resulting from greater lending activity. The Bank's full time equivalent employees at March 31, 2017 and 2016 were 70 and 65, respectively. The Bank's efficiency ratio decreased from 66.0% in the first quarter of 2016 to 58.7% in the first quarter of 2017 due to increased loan growth.

Balance Sheet

Total assets increased to $702 million as of March 31, 2017, compared to $647 million at December 31, 2016 and $613 million on the same day one year ago. The increase in total assets of $55 million, or 9%, from December 31, 2016 was primarily due to increased loans in the first quarter of 2017. The Company reported gross loans outstanding at March 31, 2017 of $557 million, which represented an increase of $42 million, or 8%, from $515 million at December 31, 2016, and an increase of $134 million, or 32%, over $423 million at March 31, 2016. The increase in total gross loans from December 31, 2016 was primarily attributable to increased Specialty Finance and Commercial Real Estate loans. The increase in loans from March 31, 2016 was primarily attributable to growth in Specialty Finance, CRE and Construction loans.

“We had no non-accrual loans on March 31, 2017 compared to $1.9 million non-accrual loans comprising 0.45% of total loans at the end of the first 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 $592.7 million as of March 31, 2017, which represented an increase of $24.7 million, or 4%, compared to $568.0 million at December 31, 2016 and an increase of $50.4 million, or 9%, compared to $542.3 million at March 31, 2016. The increase in deposits from December 31, 2016 was due to an increase in demand deposit accounts and CD's over $100,000 partially offset by a decrease in money market deposits. The increase from March 31, 2016 was caused by an increase in demand deposits partially offset by a decrease in money market accounts. In addition to this deposit growth, the Company utilized $30 million in short-term credit line advances to fund loan growth.

Demand and interest bearing transaction deposits represented 47.6% of total deposits at March 31, 2017, compared to 45.9% at December 31, 2016 and 40.6% for the same period one year ago. Core deposits represented 86.6% of total deposits at March 31, 2017, compared to 86.4% at December 31, 2016 and 85.3% at March 31, 2016.

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	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
Cash and due from banks	$17,431	$12,458	$15,363	$23,797	$27,125
Fed funds sold	21,265	7,841	92,950	80,775	73,885
Total cash and cash equivalents	38,696	20,299	108,313	104,572	101,010
Investment securities - available for sale	86,905	89,686	100,350	94,853	68,541
Loans, net of deferred loan fees	556,969	514,769	447,852	418,809	422,855
Allowance for loan losses	(6,991)	(6,244)	(5,431)	(5,431)	(5,406)
Loans, net of allowance for loan losses	549,978	508,525	442,421	413,378	417,449
Bank owned life insurance	10,406	10,334	10,261	10,186	12,380
Premises and equipment, net	668	600	640	704	795
Accrued interest receivable & other assets	15,205	17,211	14,895	17,521	13,169
Total assets	$701,858	$646,655	$676,880	$641,214	$613,344
Liabilities					
Non-interest-bearing demand deposits	$261,172	$241,362	$298,275	$258,978	$199,630
Interest bearing transaction accounts	20,786	19,420	20,034	17,717	20,391
Money market and savings accounts	207,106	215,656	219,203	216,564	229,031
Time deposits	103,616	91,560	61,793	72,917	93,273
Total deposits	592,680	567,998	599,305	566,176	542,325
FHLB advances	30,000	-	-	-	-
Subordinated debt, net	11,698	11,677	11,655	11,631	11,627
Other liabilities	2,425	3,471	2,883	2,396	2,285
Total liabilities	636,803	583,146	613,843	580,202	556,237
Shareholders' equity					
Common stock/additional paid-in capital	47,259	47,289	46,539	46,082	45,610
Retained earnings	18,711	17,157	16,036	14,401	11,102
Accumulated other comprehensive income (loss)	(915)	(937)	462	529	395
Total shareholders' equity	65,055	63,509	63,037	61,012	57,107
Total liabilities and shareholders' equity	$701,858	$646,655	$676,880	$641,214	$613,344
Capital ratios					
Tier 1 leverage ratio	9.52%	9.96%	9.42%	9.83%	9.30%
Tier 1 and Common Equity Tier 1 RBC ratio	9.24%	9.67%	10.12%	10.37%	9.91%
Total risk-based capital (RBC) ratio	11.91%	12.41%	12.94%	13.36%	12.94%
Book value per common share	$13.57	$13.50	$13.46	$13.27	$12.59
Total common shares outstanding	4,793,827	4,704,297	4,682,851	4,596,200	4,537,577
Other Ratios					
Non-interest bearing/total deposits	44.1%	42.5%	49.8%	45.7%	36.8%
Loan to deposit ratio	94.0%	90.6%	74.7%	74.0%	78.0%
Allowance for loan losses/total loans	1.26%	1.21%	1.21%	1.30%	1.28%

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

	Quarter Ended		
	3/31/17	12/31/16	3/31/16
Interest and fees on loans and leases	$6,978	$6,401	$5,520
Interest on investment securities	529	487	433
Other interest income	69	65	107
Total interest income	7,576	6,953	6,060
Deposit interest expense	334	300	278
Other interest expense	274	213	211
Total interest expense	608	513	489
Net interest income	6,968	6,440	5,571
Provision for loan losses	721	813	-
Net interest income after provision for loan losses	6,247	5,627	5,571
Service charges, fees and other income	449	467	298
Income from bank owned life insurance	72	73	87
Total non-interest income	521	540	385
Compensation and benefit expenses	2,868	2,889	2,615
Occupancy and equipment expenses	584	594	566
Other operating expenses	943	1,022	752
Total non-interest expense	4,395	4,505	3,933
Income before income taxes	2,373	1,662	2,023
Provision for income taxes	819	540	816
Net income	$1,554	$1,122	$1,207
Basic earnings per common share	$0.34	$0.24	$0.27
Diluted earnings per common share	$0.33	$0.24	$0.26
Average common shares outstanding	4,627,271	4,596,713	4,505,140
Average common fully diluted shares	4,728,967	4,716,502	4,607,307
Annualized returns:			
Return on average assets	0.91%	0.69%	0.79%
Return on average common equity	9.69%	6.99%	8.53%
Net interest margin	4.26%	4.14%	3.93%
Cost of funds	0.39%	0.35%	0.35%
Efficiency ratio	58.69%	64.54%	66.03%

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

Allowance for Loan Losses	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
Balance, beginning of quarter	$6,244	$5,431	$5,431	$5,406	$5,394
Provision for loan losses, quarterly	721	813	-	-	-
Charge-offs, quarterly	-	-	-	-	-
Recoveries, quarterly	26	-	-	25	12
Balance, end of quarter	$6,991	$6,244	$5,431	$5,431	$5,406

Nonperforming Assets					
Loans accounted for on a non-accrual basis	$0	$0	$392	$392	$1,898
Loans with principal or interest contractually past due 90 days or more and still accruing interest	-	-	-	-	-
Nonperforming loans	-	-	392	392	1,898
Other real estate owned	-	-	-	-	-
Nonperforming assets	$0	$0	$392	$392	$1,898
Loans restructured and in compliance with modified terms	-	-	457	462	466
Nonperforming assets & restructured loans	$0	$0	$849	$854	$2,364

Nonperforming Loans by Type:					
Commercial	$0	$0	$392	$392	$1,898
Real Estate Loans	-	-	-	-	-
Total Nonperforming loans	$0	$0	$392	$392	$1,898

Asset Quality Ratios					
Allowance for loan losses (ALLL) / gross loans	1.26%	1.21%	1.21%	1.30%	1.28%
ALLL / nonperforming loans	0.00%	0.00%	1385.46%	1385.46%	284.83%
Nonperforming assets / total assets	0.00%	0.00%	0.06%	0.06%	0.31%
Nonperforming loans / gross loans	0.00%	0.00%	0.09%	0.09%	0.45%
Net quarterly charge-offs / gross loans	0.00%	0.00%	0.00%	-0.01%	0.00%