Avidbank Holdings, Inc.

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PRESS RELEASE

Avidbank Holdings, Inc. Announces Net Income of $1,430,000 for the Second Quarter of 2017

PALO ALTO, CA – (Business Wire) – 07/21/17 – Avidbank Holdings, Inc. ("the Company") (OTC Pink: 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 $1,430,000 for the second quarter of 2017 compared to $3,299,000 for the same period in 2016. Net income for the second quarter of 2016 excluding the impact of life insurance proceeds was $1,827,000.

<u>Year-to-Date and Second Quarter 2017 Financial Highlights</u>

- Net income was $2,984,000 for the first six months of 2017, compared to $3,035,000 for the same period in 2016 excluding life insurance proceeds. Net income in the first six months of 2017 included a loan loss provision of $1,806,000 while no loan loss provision was recognized in the first six months of 2016. Net interest income was $14,575,000 in the first six months of 2017, an increase of $2,734,000 or 23% over the figure recorded in the first six months of 2016.
- Diluted earnings per common share were $0.63 in the first six months of 2017, compared to $0.98 in the first six months of 2016.
- Net interest income was $7,606,000 for the second quarter of 2017, an increase of $1,335,000 over the $6,271,000 we achieved in the second quarter of 2016. The 21% increase over the prior year quarter reflects the results of our continued loan growth.
- Net income was $1,430,000 for the second quarter of 2017, compared to $3,299,000 for the second quarter of 2016. Results for the second quarter of 2017 included a $1,085,000 loan loss provision compared to no loan loss provision in the second quarter of 2016. Results for the second quarter of 2016 included $1,472,000 of additional net income from life insurance proceeds.
- Diluted earnings per common share were $0.30 for the second quarter of 2017, compared to $0.71 for the second quarter of 2016.
- Total assets grew by 13% in the first six months of 2017, ending the second quarter at $731 million.
- Total loans net of deferred fees grew by 14% and 40% in the six and twelve months ended June 30, 2017, ending the second quarter at $584 million.
- Total deposits grew by 9% in the first six months of 2017, ending the second quarter at $619 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 8.9%, and a Total Risk Based Capital Ratio of 11.6%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, "Net interest income increased to $7.6 million in the second quarter of 2017, a 21% increase over the second quarter of 2016 as our strong loan growth continues. Loans grew $27 million in the second quarter of 2017 on top of our $42 million of growth in the first quarter of 2017. As a result of this significant growth and credit rating migrations primarily caused by project delays in our construction loan portfolio due to the significant winter rains, we recorded a $1.1 million loan loss provision in the second quarter, increasing our loan loss reserve to $8.1 million. Also due to the weather this past winter, because many of our construction loans have experienced delays in completion, we did not experience the level of payoffs we normally expect. Since the spring and summer weather is allowing these projects to be completed, we anticipate our construction concentrations will be reduced organically through payoffs over the third and fourth quarters."

Mr. Mordell continued, "We have added business development and support staff to accelerate and manage our growth. Non-interest expenses increased by $0.9 million to $4.7 million in the second quarter of 2017 from $3.8 million in the second quarter of 2016, primarily due to these increased investments in staffing. Our efficiency ratio excluding the impact of life insurance proceeds increased to 59.1% in the second quarter of 2017 from 56.5% in the second quarter 2016 due to increased staffing expense. Total deposits increased by $26 million in the second quarter of 2017 and increased by $53 million from the same quarter in 2016. The change from 2016 was primarily due to growth in brokered deposits and CD's greater than $100,000. Our net interest margin grew to 4.32% for the first six months of 2017 compared to 4.17% for the same period of the prior year due to changes in the mix of earning assets in favor of higher yielding loans."

Mr. Mordell, stated, "Additionally, we are pleased to report the closing of a $20 million private offering of common shares at a purchase price of $19.00 per share on July 13, 2017 as a subsequent event to our second quarter results. The completion of this offering is a significant step forward for our Company, providing the capital we need to continue our growth and strengthen our balance sheet. We have also strengthened the governance and risk management of our Board with the addition of Marc Verissimo, a 40-year veteran of the banking industry with 24 years of experience at Silicon Valley Bank."

Results for the six months ended June 30, 2017

Net interest income before provision for loan losses was $14.6 million in the first six months of 2017, an increase of $2.7 million or 23% over the same period of the prior year. Higher outstanding average loan balances were the primary reason for the increase. Average loans net of deferred fees were $556 million for 2017 compared to $421 million for 2016. Average earning assets were $681 million in the first six months of 2017, a 19% increase over the prior year. Net interest margin was 4.32% in the first six months of 2017 compared to 4.17% for the same period in 2016. The increase in net interest margin was primarily caused by an increase of higher yielding loans in the mix of earning assets. A loan loss provision of $1,806,000 was recorded in the first six months of 2017 and no provision was taken in the same period of 2016. We had no charge-offs and recoveries of $26,000 in the first six months of 2017 compared to no charge-offs and recoveries of $37,000 for the same period in 2016.

Non-interest income was $937,000 in the first six months of 2017, a decrease of $1,380,000 or 60% over 2016 which was primarily attributable to $1,472,000 in life insurance proceeds received in the second quarter of 2016.

Non-interest expense increased by $1.4 million to $9.1 million in the first six months of 2017 compared to $7.7 million in 2016 due primarily to increased investments in loan production and support personnel.

The effective tax rate was 34.8% in the first six months of 2017 compared to 29.8% for the same period in 2016. The unusually low effective tax rate in 2016 was due to proceeds from life insurance benefits.

Results for the quarter ended June 30, 2017

For the three months ended June 30, 2017, net interest income before provision for loan losses was $7.6 million, an increase of $1.3 million or 21% compared to the second quarter of 2016. The increase was primarily the result of higher average loans outstanding. Average gross loans outstanding for the quarter ended June 30, 2017 were $571.8 million, compared to $429.8 million for the same quarter in 2016, an increase of $142.1 million or 33%. Average earning assets were $698.6 million in the second quarter of 2017, a 22% increase over the second quarter of the prior year. Loans made up 82% of average earning assets at the end of the second quarter of 2017 compared to 75% at the end of the second quarter of 2016. Net interest margin was 4.37% for the second quarter of 2017, compared to 4.41% for the second quarter of 2016. A loan loss provision of $1,085,000 was taken in the second quarter of 2017 and no loan loss provision was taken in the second quarter of 2016.

Non-interest income was $416,000 in the second quarter of 2017, a decrease of $1,516,000 or 78% compared to the second quarter of 2016. The decrease was primarily due to $1,472,000 from life insurance proceeds in the second quarter of 2016.

Non-interest expense increased by $933,000 in the second quarter of 2017 to $4,737,000 compared to $3,804,000 for the second quarter of 2016. This increase was primarily due to higher compensation costs related to increased staffing. The Bank's full time equivalent employees at June 30, 2017 and 2016 were 77 and 67, respectively. The Bank's efficiency ratio excluding the benefit of life insurance proceeds increased from 56.5% in the second quarter of 2016 to 59.1% in the second quarter of 2017 due to increased staffing expense.

Balance Sheet

Total assets increased to $731.1 million as of June 30, 2017, compared to $701.9 million at March 31, 2017 and $641.2 million on the same day one year ago. The increase in total assets of $29.2 million, or 4%, from March 31, 2017 was primarily due to increased loans in the second quarter of 2017. The Company reported loans net of deferred fees at June 30, 2017 of $584.3 million, which represented an increase of $27.4 million, or 5%, from $556.9 million at March 31, 2017, and an increase of $165.5 million, or 40%, over $418.8 million at June 30, 2016. The increase in total gross loans from March 31, 2017 was primarily attributable to increased Construction and Commercial Real Estate loans. The increase in loans from June 30, 2016 was primarily attributable to growth in Construction, CRE and Sponsor Finance loans.

"We had $5.2 million in non-accrual loans comprising 0.89% of total loans from one relationship on June 30, 2017 compared to $0.4 million of non-accrual loans comprising 0.09% of total loans at the end of the second quarter of the prior year. We take a conservative approach when placing loans on nonaccrual and make every effort to minimize any potential loss," observed Mr. Mordell.

The Company's total deposits were $618.9 million as of June 30, 2017, which represented an increase of $26.2 million, or 4%, compared to $592.7.0 million at March 31, 2017 and an increase of $52.7 million, or 9%, compared to $566.2 million at June 30, 2016. The increase in deposits from March 31, 2017 was due to an increase in money market accounts and CD's over $100,000 partially offset by a decrease in interest checking accounts. The increase from June 30, 2016 was caused by an increase in brokered deposits, demand deposits and money market accounts. In addition to this deposit growth, the Company utilized $30 million in short term Federal Home Loan Bank advances to fund loan growth as of June 30, 2017.

Demand and interest bearing transaction deposits represented 45.6% of total deposits at June 30, 2017, compared to 47.6% at March 31, 2017 and 48.9% for the same period one year ago. Core deposits represented 86.0% of total deposits at June 30, 2017, compared to 86.6% at March 31, 2017 and 89.9% at June 30, 2016. The Company's loan to deposit ratio was 94% at June 30, 2017 compared to 91% at December 31, 2016 and 74% at June 30, 2016.

About Avidbank

Avidbank Holdings, Inc. (OTC Pink: AVBH), headquartered in Palo Alto, California, offers innovative financial solutions and services. We specialize in commercial & industrial lending, technology and asset-based lending, specialty finance, real estate construction and commercial real estate lending. Avidbank provides a different approach to banking. We do what we say.

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

Assets	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16
Cash and due from banks	$10,845	$17,431	$12,458	$15,363	$23,797
Fed funds sold	32,510	21,265	7,841	92,950	80,775
Total cash and cash equivalents	43,355	38,696	20,299	108,313	104,572
Investment securities - available for sale	82,986	86,905	89,686	100,350	94,853
Loans, net of deferred loan fees	584,342	556,969	514,769	447,852	418,809
Allowance for loan losses	(8,076)	(6,991)	(6,244)	(5,431)	(5,431)
Loans, net of allowance for loan losses	576,266	549,978	508,525	442,421	413,378
Bank owned life insurance	10,479	10,406	10,334	10,261	10,186
Premises and equipment, net	1,155	668	600	640	704
Accrued interest receivable & other assets	16,818	15,205	17,211	14,895	17,521
Total assets	$731,059	$701,858	$646,655	$676,880	$641,214
Liabilities					
Non-interest-bearing demand deposits	$264,514	$261,172	$241,362	$298,275	$258,978
Interest bearing transaction accounts	17,642	20,786	19,420	20,034	17,717
Money market and savings accounts	220,474	207,106	215,656	219,203	216,564
Time deposits	116,282	103,616	91,560	61,793	72,917
Total deposits	618,912	592,680	567,998	599,305	566,176
FHLB advances	30,000	30,000	-	-	-
Subordinated debt, net	11,719	11,698	11,677	11,655	11,631
Other liabilities	3,572	2,425	3,471	2,883	2,396
Total liabilities	664,203	636,803	583,146	613,843	580,202
Shareholders' equity					
Common stock/additional paid-in capital	47,421	47,259	47,289	46,539	46,082
Retained earnings	20,142	18,711	17,157	16,036	14,401
Accumulated other comprehensive income (loss)	(707)	(915)	(937)	462	529
Total shareholders' equity	66,856	65,055	63,509	63,037	61,012
Total liabilities and shareholders' equity	$731,059	$701,858	$646,655	$676,880	$641,214
Capital ratios					
Tier 1 leverage ratio	9.28%	9.52%	9.96%	9.42%	9.83%
Tier 1 and Common Equity Tier 1 RBC ratio	8.94%	9.24%	9.67%	10.12%	10.37%
Total risk-based capital (RBC) ratio	11.61%	11.91%	12.41%	12.94%	13.36%
Book value per common share	$13.91	$13.57	$13.50	$13.46	$13.27
Total common shares outstanding	4,806,377	4,793,827	4,704,297	4,682,851	4,596,200
Other Ratios					
Non-interest bearing/total deposits	42.7%	44.1%	42.5%	49.8%	45.7%
Loan to deposit ratio	94.4%	94.0%	90.6%	74.7%	74.0%
Allowance for loan losses/total loans	1.38%	1.26%	1.21%	1.21%	1.30%

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

	Quarter Ended			Year-to-Date	
	6/30/17	3/31/17	6/30/16	6/30/17	6/30/16
Interest and fees on loans and leases	$7,721	$6,978	$6,260	$14,699	$11,779
Interest on investment securities	516	529	420	1,045	852
Other interest income	107	69	86	176	193
Total interest income	8,344	7,576	6,766	15,920	12,825
Deposit interest expense	423	334	277	756	555
Other interest expense	315	274	217	589	428
Total interest expense	738	608	495	1,345	984
Net interest income	7,606	6,968	6,271	14,575	11,841
Provision for loan losses	1,085	721	-	1,806	-
Net interest income after provision for loan losses	6,521	6,247	6,271	12,769	11,841
Service charges, fees and other income	343	449	381	793	679
Income from bank owned life insurance	73	72	1,551	144	1,638
Total non-interest income	416	521	1,932	937	2,317
Compensation and benefit expenses	3,020	2,868	2,274	5,888	4,889
Occupancy and equipment expenses	676	584	515	1,260	1,080
Other operating expenses	1,041	943	1,015	1,983	1,767
Total non-interest expense	4,737	4,395	3,804	9,132	7,736
Income before income taxes	2,200	2,373	4,399	4,574	6,422
Provision for income taxes	770	819	1,100	1,590	1,916
Net income	$1,430	$1,554	$3,299	$2,984	$4,507
Basic earnings per common share	$0.31	$0.34	$0.73	$0.64	$1.00
Diluted earnings per common share	$0.30	$0.33	$0.71	$0.63	$0.98
Average common shares outstanding	4,645,091	4,627,271	4,548,056	4,636,230	4,526,598
Average common fully diluted shares	4,740,832	4,728,967	4,634,182	4,734,898	4,609,100
Annualized returns:					
Return on average assets	0.79%	0.91%	2.14%	0.85%	1.46%
Return on average common equity	8.61%	9.69%	22.65%	9.14%	15.60%
Net interest margin	4.37%	4.26%	4.41%	4.32%	4.17%
Cost of funds	0.45%	0.39%	0.36%	0.42%	0.36%
Efficiency ratio	59.05%	58.69%	46.37%	58.87%	54.64%
Efficiency ratio excluding life insurance proceeds	59.05%	58.69%	56.51%	58.87%	60.98%

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

	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16
Allowance for Loan Losses					
Balance, beginning of quarter	$6,991	$6,244	$5,431	$5,431	$5,406
Provision for loan losses, quarterly	1,085	721	813	-	-
Charge-offs, quarterly	-	-	-	-	-
Recoveries, quarterly	-	26	-	-	25
Balance, end of quarter	$8,076	$6,991	$6,244	$5,431	$5,431
Nonperforming Assets					
Loans accounted for on a non-accrual basis	$5,210	$0	$0	$392	$392
Loans with principal or interest contractually past due 90 days or more and still accruing interest	-	-	-	-	-
Nonperforming loans	5,210	-	-	392	392
Other real estate owned	-	-	-	-	-
Nonperforming assets	$5,210	$0	$0	$392	$392
Loans restructured and in compliance with modified terms	-	-	-	457	462
Nonperforming assets & restructured loans	$5,210	$0	$0	$849	$854
Nonperforming Loans by Type:					
Commercial	$4,377	$0	$0	$392	$392
Real Estate Loans	724	-	-	-	-
Consumer Loans	109	-	-	-	-
Total Nonperforming loans	$5,210	$0	$0	$392	$392
Asset Quality Ratios					
Allowance for loan losses (ALLL) / gross loans	1.38%	1.26%	1.21%	1.21%	1.30%
ALLL / nonperforming loans	155.01%	0.00%	0.00%	1385.46%	1385.46%
Nonperforming assets / total assets	0.71%	0.00%	0.00%	0.06%	0.06%
Nonperforming loans / gross loans	0.89%	0.00%	0.00%	0.09%	0.09%
Net quarterly charge-offs / gross loans	0.00%	0.00%	0.00%	0.00%	-0.01%