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PRESS RELEASE

Avidbank Holdings, Inc. Announces Net Income of $1,009,000 for the Fourth Quarter of 2017 and $5,654,000 for the Year Ended 2017

SAN JOSE, CA -- (Business Wire) -- 01/25/18 -- 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 $1,009,000 for the fourth quarter of 2017 compared to $1,122,000 for the same period in 2016. Results for the fourth quarter of 2017 included a $1.1 million charge to income tax expense as a result of the Tax Cuts and Jobs Act of 2017.

Full Year and Fourth Quarter 2017 Financial Highlights

- Net income was $5,654,000 in 2017 compared to $7,263,000 in 2016. Net income in 2016 excluding benefits from life insurance proceeds of $1,472,000 was $5,791,000. Net income in 2017 excluding the $1.1 million impact from the tax law change was $6,755,000. Net income in 2017 included a loan loss provision of $1,985,000 while a loan loss provision of $813,000 was recognized in 2016. Net interest income was $30,528,000 in 2017, an increase of $6,267,000 or 26% over the figure recorded in 2016.
- Diluted earnings per common share (EPS) were $1.08 in 2017, compared to $1.56 in 2016. Diluted EPS for 2017 without the $1.1 million tax law change would have been $1.29. Weighted average common shares outstanding were 5,138,604 and 4,521,392 in 2017 and 2016, respectively. The increase was primarily the result of a $20,000,000 capital raise completed during the third quarter of 2017.
- Net interest income was $8,182,000 for the fourth quarter of 2017, an increase of $1,742,000 over the $6,440,000 we achieved in the fourth quarter of 2016. The 27% increase over the prior year quarter reflects the impact of our loan growth over the past twelve months.
- Net income was $1,009,000 for the fourth quarter of 2017, compared to $1,122,000 for the fourth quarter of 2016. Net income in the fourth quarter of 2017 excluding the $1.1 million impact from the tax law change would have been $2,110,000. Results for the fourth quarter of 2017 included a $106,000 loan loss provision compared to a loan loss provision of $813,000 in the fourth quarter of 2016.
- Diluted earnings per common share were $0.17 for the fourth quarter of 2017, compared to $0.24 for the fourth quarter of 2016. Diluted EPS for the fourth quarter of 2017 without the $1.1 million tax law change would have been $0.36.
- Total assets grew by 21% in 2017, ending the fourth quarter at $783 million.
- Total loans net of deferred fees grew by 26% in 2017, ending the fourth quarter at $648 million.
- Total deposits grew by 14% in 2017, ending the fourth quarter at $646 million.
- The Company continues to be well capitalized for regulatory purposes with a Tier 1 Leverage Ratio of 11.4%, a Tier 1 Risk Based Capital and Common Equity Tier 1 Risk Based Capital Ratio of 10.7%, and a Total Risk Based Capital Ratio of 13.1%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, "Net interest income increased to $8.2 million in the fourth quarter of 2017, a 27% increase over the fourth quarter of 2016 due to our loan growth over the past twelve months. Loans grew a record $70 million in the fourth quarter as we achieved solid growth in all our divisions: specialty finance, commercial real estate, commercial and construction lending. We are committed to a growth strategy to achieve optimal profitability and have made substantial investments in personnel and facilities to help realize that goal responsibly. Our $20 million capital raise completed in July 2017 has provided us with the capacity required to grow the loan portfolio. We are well positioned to continue the franchise growth strategy to scale our balance sheet and infrastructure to serve our markets."

Mr. Mordell continued, "In 2017 we added both business development and support staff to sustain and manage our growth. We have also expanded and relocated our facilities to accommodate our growth in staff as well as increase staff retention due to more favorable commute times. Non-interest expenses increased by $0.7 million to $5.2 million in the fourth quarter of 2017 from $4.5 million in the fourth quarter of 2016, primarily due to these increased investments. Our efficiency ratio improved to 60.4% in the fourth quarter of 2017 from 64.5% in the fourth quarter 2016 due to increased earnings from our loan growth. Total deposits decreased by $13 million in the fourth quarter of 2017 compared to the third quarter of 2017 and increased by $78 million from the same quarter in 2016. The decline in deposits for the fourth quarter of 2017 was primarily due to a decrease in demand deposits and brokered deposits. Our net interest margin grew to 4.32% in 2017 compared to 4.06% in 2016 due to changes in the mix of earning assets in favor of higher yielding loans. Return on assets was 0.77% in 2017 compared to 1.14% in 2016. Return on assets excluding the impact of the tax law change was 0.91% in 2017."

Results for the twelve months ended December 31, 2017

Net interest income before provision for loan losses was $30.5 million in 2017, an increase of $6.3 million or 26% over the prior year. Higher outstanding average loan balances were the primary reason for the increase. Average total loans were $573 million for 2017 compared to $439 million for 2016. Average earning assets were $706 million in 2017, an 18% increase over the prior year. Net interest margin was 4.32% in 2017 compared to 4.06% for 2016. The increase in net interest margin was primarily caused by an increase in higher yielding loans in the mix of earning assets. A loan loss provision of $1,985,000 was recorded in 2017 and a loan loss provision of $813,000 was taken in 2016. We had no charge-offs and recoveries of $68,000 in 2017 compared to no charge-offs and recoveries of $37,000 for 2016.

Non-interest income was $1,887,000 in 2017, a decrease of $1,333,000 or 41% compared to 2016. When the $1,472,000 in life insurance proceeds recognized in the second quarter of 2016 is excluded, non-interest income was $139,000 higher in 2017 as a result of increased service charges.

Non-interest expense increased by $3.8 million to $19.6 million in 2017 compared to $15.8 million in 2016 due primarily to increased investments in loan production and support personnel and expanded facilities to accommodate the growth in staff.

The effective tax rate was 47.8% in 2017 compared to 33.2% for the same period in 2016. The unusually high effective tax rate in 2017 was due to the income tax expense charge from the passage of the Tax Cuts and Jobs Act at the end of the year. The lower effective tax rate in 2016 was due to non-taxable proceeds from life insurance benefits.

Results for the quarter ended December 31, 2017

For the three months ended December 31, 2017, net interest income before provision for loan losses was $8.2 million, an increase of $1.7 million or 27% compared to the fourth quarter of 2016. The increase was primarily the result of higher average loans outstanding. Average total loans outstanding for the quarter ended December 31, 2017 were $599 million, compared to $477 million for the same quarter in 2016, an increase of 26%. Average earning assets were $750 million in the fourth quarter of 2017, a 21% increase over the fourth quarter of the prior year. Loans made up 80% of average earning assets at the end of the fourth quarter of 2017 compared to 77% at the end of the fourth quarter of 2016. Net interest margin was 4.33% for the fourth quarter of 2017, compared to 4.14% for the fourth quarter of 2016. A loan loss provision of $106,000 was taken in the fourth quarter of 2017 compared with a loan loss provision of $813,000 taken in the fourth quarter of 2016.

Non-interest income was $475,000 in the fourth quarter of 2017, a decrease of $65,000 or 12% compared to the fourth quarter of 2016. The decrease was primarily due to $151,000 of income from an FHLB special dividend in the fourth quarter of 2016.

Non-interest expense increased by $727,000 in the fourth quarter of 2017 to $5,232,000 compared to $4,505,000 for the fourth quarter of 2016. This increase was primarily due to higher compensation costs related to increased staffing and increased occupancy costs due to the expansion of our facilities. The Bank's full time equivalent employees at December 31, 2017 and 2016 were 84 and 68, respectively. The Bank's efficiency ratio improved from 64.5% in the fourth quarter of 2016 to 60.4% in the fourth quarter of 2017 due to growth in net interest income.

Balance Sheet

Total assets increased to $783.0 million as of December 31, 2017, compared to $763.8 million at September 30, 2017 and $646.7 million on the same day one year ago. The increase in total assets of $19.2 million, or 3%, from September 30, 2017 was primarily due to FHLB borrowings in the fourth quarter of 2017. The Company reported total loans at December 31, 2017 of $648.3 million, which represented an increase of $69.8 million, or 12%, from $578.5 million at September 30, 2017, and an increase of $133.5 million, or 26%, over $514.8 million at December 31, 2016. The increase in total loans from September 30, 2017 was primarily attributable to growth in commercial real estate, multi-family, specialty finance and construction loans. The increase in loans from December 31, 2016 was primarily attributable to growth in commercial real estate, construction and commercial loans.

"We had $5.2 million in non-accrual loans comprising 0.79% of total loans from one relationship on December 31, 2017 compared to no non-accrual loans at the end of the prior year," observed Mr. Mordell.

The Company's total deposits were $646.4 million as of December 31, 2017, which represented a decrease of $13.3 million, or 2%, compared to $659.7 million at September 30, 2017 and an increase of $78.4 million, or 14%, compared to $568.0 million at December 31, 2016. The decrease in deposits from September 30, 2017 was due to a decrease in demand deposits and brokered deposits. The increase from December 31, 2016 was caused by an increase in demand deposits, CDs greater than $100,000 and money market accounts. The Company had $30 million of Federal Home Loan Bank advances outstanding as of December 31, 2017.

Demand and interest bearing transaction deposits represented 45% of total deposits at December 31, 2017, compared to 47% at September 30, 2017 and 46% for the same period one year ago. Core deposits, which include transaction deposits, money market accounts and CDs below $250,000, represented 87% of total deposits at December 31, 2017, compared to 87% at September 30, 2017 and 86% at December 31, 2016. The Company's loan to deposit ratio was 100% at December 31, 2017 compared to 88% at September 30, 2017 and 91% at December 31, 2016.

About Avidbank

Avidbank Holdings, Inc. (OTC Pink: AVBH), headquartered in San Jose, 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 effects of the Tax Cuts and Jobs Act; 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.

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

Assets	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16
Cash and due from banks	$10,650	$11,068	$10,845	$17,431	$12,458
Fed funds sold	22,710	74,970	32,510	21,265	7,841
Total cash and cash equivalents	33,360	86,038	43,355	38,696	20,299
Investment securities - available for sale	74,364	76,742	82,986	86,905	89,686
Loans, net of deferred loan fees	648,273	578,524	584,342	556,969	514,769
Allowance for loan losses	(8,297)	(8,191)	(8,076)	(6,991)	(6,244)
Loans, net of allowance for loan losses	639,976	570,333	576,266	549,978	508,525
Bank owned life insurance	10,619	10,551	10,479	10,406	10,334
Premises and equipment, net	5,946	3,387	1,155	668	600
Accrued interest receivable & other assets	18,728	16,756	16,818	15,205	17,211
Total assets	$782,993	$763,807	$731,059	$701,858	$646,655
Liabilities					
Non-interest-bearing demand deposits	$275,925	$295,862	$264,514	$261,172	$241,362
Interest bearing transaction accounts	16,555	16,988	17,642	20,786	19,420
Money market and savings accounts	243,198	229,143	220,474	207,106	215,656
Time deposits	110,730	117,670	116,282	103,616	91,560
Total deposits	646,408	659,663	618,912	592,680	567,998
FHLB advances	30,000	-	30,000	30,000	-
Subordinated debt, net	11,761	11,740	11,719	11,698	11,677
Other liabilities	5,717	4,421	3,572	2,425	3,471
Total liabilities	693,886	675,824	664,203	636,803	583,146
Shareholders' equity					
Common stock/additional paid-in capital	66,996	66,704	47,421	47,259	47,289
Retained earnings	22,811	21,802	20,142	18,711	17,157
Accumulated other comprehensive income (loss)	(700)	(523)	(707)	(915)	(937)
Total shareholders' equity	89,107	87,983	66,856	65,055	63,509
Total liabilities and shareholders' equity	$782,993	$763,807	$731,059	$701,858	$646,655
Capital ratios					
Tier 1 leverage ratio	11.43%	11.87%	9.28%	9.52%	9.96%
Common equity tier 1 capital ratio	10.70%	11.61%	8.94%	9.24%	9.67%
Tier 1 risk-based capital ratio	10.70%	11.61%	8.94%	9.24%	9.67%
Total risk-based capital ratio	13.13%	14.27%	11.61%	11.91%	12.41%
Book value per common share	$15.12	$14.99	$13.91	$13.57	$13.50
Total common shares outstanding	5,893,144	5,870,691	4,806,377	4,793,827	4,704,297
Other Ratios					
Non-interest bearing deposits to total deposits	42.7%	44.9%	42.7%	44.1%	42.5%
Core deposits to total deposits	87.4%	86.7%	86.0%	86.6%	86.4%
Loan to deposit ratio	100.3%	87.7%	94.4%	94.0%	90.6%
Allowance for loan losses to total loans	1.28%	1.42%	1.38%	1.26%	1.21%

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

	Quarter Ended			Year-to-Date	
	12/31/17	9/30/17	12/31/16	12/31/17	12/31/16
Interest and fees on loans and leases	$8,186	$7,899	$6,401	$30,784	$24,036
Interest on investment securities	477	466	487	1,988	1,834
Other interest income	245	160	65	580	380
Total interest income	8,908	8,525	6,953	33,352	26,250
Deposit interest expense	496	475	300	1,727	1,135
Other interest expense	230	277	213	1,097	854
Total interest expense	726	752	513	2,824	1,989
Net interest income	8,182	7,773	6,440	30,528	24,261
Provision for loan losses	106	74	813	1,985	813
Net interest income after provision for loan losses	8,076	7,699	5,627	28,543	23,448
Service charges, fees and other income	407	403	467	1,602	1,437
Income from bank owned life insurance	68	72	73	285	1,786
Gain (Loss) on sale of investment securities	-	-	-	-	(4)
Total non-interest income	475	475	540	1,887	3,220
Compensation and benefit expenses	3,126	3,421	2,889	12,436	9,923
Occupancy and equipment expenses	1,038	731	594	3,029	2,200
Other operating expenses	1,068	1,082	1,022	4,132	3,670
Total non-interest expense	5,232	5,234	4,505	19,597	15,793
Income before income taxes	3,319	2,940	1,662	10,833	10,875
Provision for income taxes	2,310	1,280	540	5,179	3,612
Net income	$1,009	$1,660	$1,122	$5,654	$7,263
Basic earnings per common share	$0.18	$0.30	$0.24	$1.10	$1.61
Diluted earnings per common share	$0.17	$0.29	$0.24	$1.08	$1.56
Average common shares outstanding	5,712,595	5,552,977	4,596,713	5,138,604	4,521,392
Average common fully diluted shares	5,825,747	5,658,098	4,716,502	5,243,045	4,656,713
Annualized returns:					
Return on average assets	0.51%	0.88%	0.69%	0.77%	1.14%
Return on average common equity	4.48%	7.75%	7.00%	7.38%	12.06%
Net interest margin	4.33%	4.33%	4.14%	4.32%	4.06%
Cost of funds	0.42%	0.45%	0.35%	0.43%	0.35%
Efficiency ratio	60.44%	63.46%	64.55%	60.46%	57.47%

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

	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16
Allowance for Loan Losses					
Balance, beginning of quarter	$8,191	$8,076	$6,991	$6,244	$5,431
Provision for loan losses, quarterly	106	74	1,085	721	813
Charge-offs, quarterly	-	-	-	-	-
Recoveries, quarterly	-	41	-	26	-
Balance, end of quarter	$8,297	$8,191	$8,076	$6,991	$6,244
Nonperforming Assets					
Loans accounted for on a non-accrual basis	$5,151	$5,543	$5,210	$0	$0
Loans with principal or interest contractually past due 90 days or more and still accruing interest	-	-	-	-	-
Nonperforming loans	5,151	5,543	5,210	-	-
Other real estate owned	-	-	-	-	-
Nonperforming assets	$5,151	$5,543	$5,210	$0	$0
Loans restructured and in compliance with modified terms	-	-	-	-	-
Nonperforming assets & restructured loans	$5,151	$5,543	$5,210	$0	$0
Nonperforming Loans by Type:					
Commercial	$4,353	$4,730	$4,377	$0	$0
Real Estate Loans	704	714	724	-	-
Consumer Loans	94	99	109	-	-
Total Nonperforming loans	$5,151	$5,543	$5,210	$0	$0
Asset Quality Ratios					
Allowance for loan losses (ALLL) / gross loans	1.28%	1.42%	1.38%	1.26%	1.21%
ALLL / nonperforming loans	161.08%	147.77%	155.01%	0.00%	0.00%
Nonperforming assets / total assets	0.66%	0.73%	0.71%	0.00%	0.00%
Nonperforming loans / gross loans	0.79%	0.96%	0.89%	0.00%	0.00%
Net quarterly charge-offs / gross loans	0.00%	-0.01%	0.00%	0.00%	0.00%