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PRESS RELEASE

**Avidbank Holdings, Inc. Announces Net Income of \$3.6 Million  
for the Second Quarter of 2021**

SAN JOSE, CA – (Accesswire) – 07/22/21 – 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 individuals primarily in Northern California, announced unaudited consolidated net income of \$3.6 million for the second quarter of 2021 compared to \$2.1 million for the same period in 2020.

Year-to-Date and Second Quarter 2021 Financial Highlights

- Net income was \$6.2 million in the first six months of 2021 compared to \$4.5 million in the first six months of 2020. Net income in the first six months of 2021 benefited from a \$735,000 gain on the sale of investment securities. Net income in the prior year period was reduced by a \$1.3 million loan loss provision while a \$75,000 loan loss provision was taken in 2021. Net interest income was \$24.1 million in the first six months of 2021, an increase of \$1.8 million or 8.3% compared to the figure recorded in the first six months of 2020.
- Diluted earnings per common share were \$1.02 in the first six months of 2021, compared to \$0.76 in the first six months of 2020. Weighted average common fully diluted shares outstanding were 6,036,233 and 5,951,185 in the first six months of 2021 and 2020, respectively.
- Total interest income was \$13.1 million for the second quarter of 2021, an increase of \$401,000 over the \$12.7 million we recorded in the second quarter of 2020. The 3.2% increase over the prior year quarter reflects year over year loan growth and increased investment securities income offset, in part, by declining loan yields.
- Net income was \$3.6 million for the second quarter of 2021, compared to \$2.1 million for the second quarter of 2020. Results for the second quarter of 2021 were affected by a \$735,000 gain on the sale of investment securities and no loan loss provision while a \$1.0 million loan loss provision was taken in the second quarter of 2020.
- Diluted earnings per common share were \$0.60 for the second quarter of 2021, compared to \$0.35 for the second quarter of 2020.
- Total assets grew by 12.1% in the first six months of 2021, ending the second quarter at \$1.60 billion.
- Total loans net of deferred fees grew by 2.1% in the first six months of 2021, ending the second quarter at \$1.01 billion.
- Total deposits grew by 13.8% in the first six months of 2021, ending the second quarter at \$1.43 billion.
- The Company continues to be well capitalized for regulatory purposes with a Tier 1 Leverage Ratio of 8.64%, a Tier 1 Risk Based Capital and Common Equity Tier 1 Risk Based Capital Ratio of 10.57%, and a Total Risk Based Capital Ratio of 13.30%.

Mark D. Mordell, Chairman and Chief Executive Officer, stated, "Net interest income increased to \$12.2 million in the second quarter of 2021, a 9.1% increase over the second quarter of 2020 due to a drop in deposit interest expense and an increase in investment securities income. Loans outstanding declined in the second quarter of 2021 due to increased payoffs, primarily from acquisitions, and a high level of liquidity among companies in the commercial loan market. The large amount of liquidity released into the economy from government stimulus programs continues to be a drag on the pace of lending. We repositioned \$24.4 million of our mortgage backed securities (MBS) portfolio that was rapidly paying off into higher-yielding, more stable MBS securities with less volatility, and in the process realized a \$735,000 gain on the sale. At the beginning of June we started bringing our staff back into the office on a part time basis. Our focus will continue to be employee health and safety along with our fiduciary responsibility to our clients and shareholders. For those reasons, we continue to be cautious in our plans for returning employees to the workplace."

Mr. Mordell continued, "Non-interest expense decreased by \$471,000 to \$8.6 million in the second quarter of 2021, down from \$9.0 million in the first quarter of 2021, as we have reduced the pace of our hiring and restructured the staffing in our Specialty Finance Division to generate an estimated annual savings of over \$1.2 million. Our efficiency ratio decreased to 62.6% in the second quarter of 2021, down from 68.2% in the second quarter of 2020, as a result of decreased staffing costs and increased net interest income. We will be closing our Palo Alto branch at the end of the third quarter as the pandemic has accelerated our plans to shutter this underutilized and high-cost location. The closure will generate an annual savings estimated to be over \$600,000 in facilities and other costs. Total deposits increased by \$63.7 million in the second quarter of 2021 compared to the first quarter of 2021 and increased by \$177.2 million from the second quarter of 2020. The increase in deposits from March 31, 2021 was due to higher money market and demand deposit accounts. The increase in deposits over the second quarter of 2020 was also due to an increase in demand deposits and money market accounts, partially offset by lower brokered deposits. Our net interest margin dropped to 3.28% in the second quarter of 2021, compared to 3.44% in the first quarter of 2021, primarily due to a drop in loan and investment yields and an increase in overnight funds. Return on assets was 0.94% in the second quarter of 2021 compared to 0.69% in the first quarter of 2021 and 0.63% in the second quarter of 2020."

#### Results for the six months ended June 30, 2021

Net interest income before provision for loan losses was \$24.1 million in the first six months of 2021, an increase of \$1.8 million or 8.3% over the same period of the prior year. Reduced interest expense and higher investment income were the primary reasons for the increase. Average loans net of deferred fees were \$1.02 billion in the first six months of 2021 compared to \$961.8 million in the first six months of 2020. Average earning assets were \$1.45 billion in the first six months of 2021, a 24.1% increase over the prior year. Net interest margin was 3.36% in the first six months of 2021 compared to 3.84% for the same period in 2020. The decrease in net interest margin was primarily caused by a decline in loan and investment yields and an increase in overnight funds. A \$75,000 loan loss provision was taken in the first six months of 2021 compared to a \$1.3 million loan loss provision recorded in the first six months of 2020. We had \$75,000 of charge-offs and no recoveries in the first six months of 2021 compared to \$31,000 of charge-offs and no recoveries for the same period in 2020.

Non-interest income was \$2.3 million in the first six months of 2021, an increase of \$889,000 or 65.4% compared to \$1.4 million in the first six months of 2020, reflecting a \$735,000 gain on the sale of investments and increased service charge income.

Non-interest expense increased by \$1.4 million to \$17.6 million in the first six months of 2021 compared to \$16.2 million in 2020 due primarily to increased investments in personnel across the entire Bank.

The effective tax rate was 28.6% in the first six months of 2021 compared to 26.0% for the same period in 2020. The effective tax rate in 2020 reflected the favorable impact of affordable housing tax credit investments and the re-allocation of income taxes to states outside of California.

#### Results for the quarter ended June 30, 2021

For the three months ended June 30, 2021, interest and fees on loans were \$12.2 million, a decrease of \$174,000 or 1.4% compared to the second quarter of 2020. The decrease was primarily the result of lower loan yields offsetting a higher average loan balance. Average loans net of deferred fees for the quarter ended June 30, 2021 were \$1.02 billion, compared to \$1.01 billion for the same quarter in 2020, an increase of 1%. Average earning assets were \$1.49 billion in the second quarter of 2021, a 16.8% increase over the second quarter of the prior year. Loans made up 69% of average earning assets at the end of the second quarter of 2021 compared to 79% at the end of the second quarter of 2020. Net interest margin was 3.28% for the second quarter of 2021, compared to 3.52% for the second quarter of 2020. No loan loss provision was taken in the second quarter of 2021 compared with a \$1.0 million loan loss provision taken in the second quarter of 2020.

Non-interest income was \$1.5 million in the second quarter of 2021, an increase of \$988,000 or 179.3% compared to the second quarter of 2020. The increase resulted from a \$735,000 gain on the sale of investment securities as well as increased service charge income.

Non-interest expense increased by \$598,000 in the second quarter of 2021 to \$8.6 million compared to \$8.0 million for the second quarter of 2020. This increase was primarily due to higher compensation costs related to increased staffing. The Company's full-time equivalent employees at June 30, 2021 and 2020 were 122 and 116, respectively. The Company's efficiency ratio decreased from 68.2% in the second quarter of 2020 to 62.6% in the second quarter of 2021 primarily due to increased investment income and reduced interest expense.

#### Balance Sheet

Total assets were \$1.60 billion as of June 30, 2021, compared to \$1.54 billion at March 31, 2021 and \$1.41 billion at June 30, 2020. The increase in total assets of \$69 million, or 4.5%, from March 31, 2021 was primarily due to increased deposits causing an increase in overnight funds with the Federal Reserve. Investments also increased \$24.0 million due to the purchase of mortgage-backed securities with excess funds. The Company reported loans net of deferred fees at June 30, 2021 of \$1.01 billion, which represented a decrease of \$12.6 million, or 1.2%, from \$1.03 billion at March 31, 2021, and an increase of \$12.7 million, or 1.3%, over \$1.00 billion at June 30, 2020. The decrease in loans from March 31, 2021 was primarily the result of a decrease in C&I loans and Asset-Based loans, partially offset by an increase in CRE loans. The increase in loans from June 30, 2020 was due to higher Construction, Multi-Family and Invoice Financing loans, partially offset by lower Asset-Based loans.

"We had \$3.3 million in three non-accrual loans on June 30, 2021, compared to a balance of \$3.4 million at the end of the prior quarter. Two of the non-accrual loans totaling \$3.1 million are secured by commercial real estate with a very low loan to value," observed Mr. Mordell.

The Company's total deposits were \$1.43 billion as of June 30, 2021, which represented an increase of \$63.7 million, or 4.7%, compared to \$1.36 billion at March 31, 2021 and an increase of \$177.2 million, or 14.2%, compared to \$1.25 billion at June 30, 2020. The increase in deposits from March 31, 2021 was due to higher money market and demand deposit accounts. The increase from June 30, 2020 was also due to an increase in money market accounts and demand deposits, partially offset by lower brokered deposits. The Company had no FHLB advances outstanding as of June 30, 2021, March 31, 2021 or June 30, 2020.

Demand and interest bearing transaction deposits represented 53% of total deposits at June 30, 2021, compared to 54% at March 31, 2021 and 52% at June 30, 2020. Core deposits, which include transaction deposits, money market accounts and CDs below \$250,000, represented 92% of total deposits at June 30, 2021, compared to 91% at March 31, 2021 and 84% at June 30, 2020. The Company's loan to deposit ratio was 71% at June 30, 2021 compared to 75% at March 31, 2021 and 80% at June 30, 2020.

#### 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, venture lending, structured finance, asset-based lending, sponsor 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 a pandemic; 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)

<u>Assets</u>	<u>6/30/21</u>	<u>3/31/21</u>	<u>12/31/20</u>	<u>9/30/20</u>	<u>6/30/20</u>
Cash and due from banks	\$27,977	\$21,870	\$14,327	\$20,857	\$16,797
Due from Federal Reserve Bank	308,596	258,921	215,705	327,795	315,110
Total cash and cash equivalents	336,573	280,791	230,032	348,652	331,907
Investment securities - available for sale	208,482	184,504	163,631	40,316	43,601
Loans, net of deferred loan fees	1,014,750	1,027,336	993,483	1,011,137	1,002,029
Allowance for loan losses	(12,558)	(12,558)	(12,558)	(12,443)	(12,521)
Loans, net of allowance for loan losses	1,002,192	1,014,778	980,925	998,694	989,508
Bank owned life insurance	11,559	11,491	11,425	11,355	11,288
Premises and equipment, net	5,138	5,375	5,565	5,432	5,435
Other real estate owned	-	-	-	-	-
Accrued interest receivable & other assets	40,329	38,744	39,048	39,321	31,729
Total assets	\$1,604,273	\$1,535,683	\$1,430,626	\$1,443,770	\$1,413,468
<u>Liabilities</u>					
Non-interest-bearing demand deposits	\$728,522	\$702,785	\$665,096	\$671,663	\$621,777
Interest bearing transaction accounts	30,538	27,863	25,390	24,808	26,837
Money market and savings accounts	541,145	499,507	419,038	382,394	382,776
Time deposits	126,972	133,314	144,230	189,529	218,634
Total deposits	1,427,177	1,363,469	1,253,754	1,268,394	1,250,024
FHLB advances	-	-	-	-	-
Subordinated debt, net	21,636	21,601	21,565	21,571	21,540
Other liabilities	23,229	23,294	27,383	28,409	19,475
Total liabilities	1,472,042	1,408,364	1,302,702	1,318,374	1,291,039
<u>Shareholders' equity</u>					
Common stock/additional paid-in capital	71,542	71,152	70,721	70,595	70,012
Retained earnings	62,693	59,044	56,537	53,773	51,414
Accumulated other comprehensive (loss) income	(2,004)	(2,877)	666	1,028	1,003
Total shareholders' equity	132,231	127,319	127,924	125,396	122,429
Total liabilities and shareholders' equity	\$1,604,273	\$1,535,683	\$1,430,626	\$1,443,770	\$1,413,468
<u>Capital ratios</u>					
Tier 1 leverage ratio	8.64%	8.87%	8.67%	8.79%	9.16%
Common equity tier 1 capital ratio	10.57%	10.38%	10.35%	10.33%	10.28%
Tier 1 risk-based capital ratio	10.57%	10.38%	10.35%	10.33%	10.28%
Total risk-based capital ratio	13.30%	13.14%	13.15%	13.19%	13.19%
Book value per common share	\$21.26	\$20.42	\$20.74	\$20.37	\$19.92
Total common shares outstanding	6,220,872	6,236,392	6,168,313	6,155,265	6,144,578
<u>Other Ratios</u>					
Non-interest bearing deposits to total deposits	51.0%	51.5%	53.0%	53.0%	49.7%
Core deposits to total deposits	91.9%	91.3%	90.0%	86.7%	84.3%
Loan to deposit ratio	71.1%	75.3%	79.2%	79.7%	80.2%
Allowance for loan losses to total loans	1.24%	1.22%	1.26%	1.23%	1.25%
<u>Quarterly Average Balances (\$'000s)</u>					
Loans, net of deferred loan fees	\$1,022,364	\$1,008,379	\$997,442	\$1,006,167	\$1,007,509
Earning assets	1,485,107	1,404,752	1,407,390	1,355,862	1,271,041
Total assets	1,554,049	1,468,597	1,467,588	1,414,571	1,325,145
Total deposits	1,376,736	1,291,767	1,290,320	1,244,890	1,141,465
Total shareholders' equity	131,300	128,844	126,840	123,726	121,016

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

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

	Quarter Ended			Year-to-Date	
	6/30/21	3/31/21	6/30/20	6/30/21	6/30/20
Interest and fees on loans	\$12,246	\$12,116	\$12,420	\$24,363	\$24,595
Interest on investment securities	808	699	247	1,507	553
Other interest income	59	48	45	107	340
Total interest income	13,113	12,863	12,712	25,977	25,488
Deposit interest expense	651	642	1,260	1,293	2,646
Other interest expense	310	310	316	621	627
Total interest expense	961	952	1,576	1,914	3,273
Net interest income	12,152	11,911	11,136	24,063	22,215
Provision for loan losses	-	75	1,011	75	1,284
Net interest income after provision for loan losses	12,152	11,836	10,125	23,988	20,931
Service charges, fees and other income	736	622	485	1,359	1,229
Income from bank owned life insurance	68	67	66	135	132
Gain on sale of assets	735	22	0	756	0
Total non-interest income	1,539	711	551	2,250	1,361
Compensation and benefit expenses	6,001	6,476	5,639	12,476	11,515
Occupancy and equipment expenses	1,017	1,071	973	2,088	1,914
Other operating expenses	1,554	1,496	1,362	3,050	2,779
Total non-interest expense	8,572	9,043	7,974	17,614	16,208
Income before income taxes	5,119	3,504	2,702	8,624	6,084
Provision for income taxes	1,470	997	632	2,468	1,579
Net income	\$3,649	\$2,507	\$2,070	\$6,156	\$4,505
Basic earnings per common share	\$0.62	\$0.43	\$0.35	\$1.05	\$0.77
Diluted earnings per common share	\$0.60	\$0.42	\$0.35	\$1.02	\$0.76
Average common shares outstanding	5,892,713	5,864,976	5,862,348	5,878,921	5,849,196
Average common fully diluted shares	6,051,243	6,020,336	5,947,756	6,036,233	5,951,185
Annualized returns:					
Return on average assets	0.94%	0.69%	0.63%	0.82%	0.74%
Return on average common equity	11.15%	7.89%	6.88%	9.54%	7.57%
Net interest margin	3.28%	3.44%	3.52%	3.36%	3.84%
Cost of funds	0.28%	0.29%	0.54%	0.28%	0.61%
Efficiency ratio	62.61%	71.64%	68.23%	66.94%	68.75%

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

(\$000) (Unaudited)

	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Allowance for Loan Losses</u>					
Balance, beginning of quarter	\$12,558	\$12,558	\$12,443	\$12,521	\$11,540
Provision for loan losses, quarterly	-	75	115	303	1,011
Charge-offs, quarterly	-	(75)	-	(380)	(31)
Recoveries, quarterly	-	-	-	-	-
Balance, end of quarter	\$12,558	\$12,558	\$12,558	\$12,443	\$12,521

Nonperforming Assets

Loans accounted for on a non-accrual basis	\$3,326	\$3,367	\$3,547	\$331	\$1,080
Loans with principal or interest contractually past due 90 days or more and still accruing interest	-	-	-	-	-
Nonperforming loans	3,326	3,367	3,547	331	1,080
Other real estate owned	-	-	-	-	-
Nonperforming assets	\$3,326	\$3,367	\$3,547	\$331	\$1,080
Loans restructured and in compliance with modified terms	-	-	-	-	-
Nonperforming assets & restructured loans	\$3,326	\$3,367	\$3,547	\$331	\$1,080

Nonperforming Loans by Type:

Commercial	\$463	\$470	\$618	\$331	\$1,080
Commercial Real Estate Loans	2,863	2,897	2,929	-	-
Residential Real Estate Loans	-	-	-	-	-
Construction Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Total Nonperforming loans	\$3,326	\$3,367	\$3,547	\$331	\$1,080

Asset Quality Ratios

Allowance for loan losses (ALLL) to total loans	1.24%	1.22%	1.26%	1.23%	1.25%
ALLL to nonperforming loans	377.59%	373.03%	354.00%	3759.27%	1159.33%
Nonperforming assets to total assets	0.21%	0.22%	0.25%	0.02%	0.08%
Nonperforming loans to total loans	0.33%	0.33%	0.36%	0.03%	0.11%
Net quarterly charge-offs to total loans	0.00%	0.01%	0.00%	0.04%	0.00%